

**NETCONG BOROUGH SCHOOL DISTRICT**

**Netcong Borough School District  
Board of Education  
Netcong, New Jersey**

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2015**

**Comprehensive Annual  
Financial Report**

**of the**

**Netcong Borough School District**

**Netcong, New Jersey**

**For the Fiscal Year Ended June 30, 2015**

**Prepared by**

**Netcong Borough School District  
Board of Education**

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INTRODUCTORY SECTION



# Netcong Elementary School

26 Collège Road • Netcong • New Jersey 07857  
 Telephone (973) 347-0020 • Fax (973) 347-3676

November 24, 2015

The Honorable President and Members of  
 the Board of Education of the  
 Netcong Borough School District  
 County of Morris, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report of the Netcong Borough School District (the "District") for the fiscal year ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart, a roster of officials and a list of principal consultants and advisors. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

**1) REPORTING ENTITY AND ITS SERVICES:** The Netcong Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Netcong Borough School District elementary school constitutes the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre K through 8. The educational services provided include regular as well as special education for handicapped children. The District completed the 2014-2015 fiscal year with an enrollment of 296 students, which is a decrease of 7 students from the previous year's enrollment.

The Honorable President and Members of  
the Board of Education of the  
Netcong Borough School District  
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2) ECONOMIC CONDITION AND OUTLOOK: The Borough of Netcong is primarily residential with a few commercial ratables and has little space remaining to be developed. As state and federal aid to education declines, the local tax levy has assumed a larger percentage of the school budget in 2014-15.

Families with young children choose Netcong Borough School District for its excellent school. The school system is expected to increase by 1 student or 0.67 percent in the next five years, excluding any residential development.

3) MAJOR INITIATIVES: The Netcong School District has purchased an online assessment software to identify strengths and weaknesses in Common Core State Standards (CCSS) for K-8 students in English language arts (ELA) and math. Algebra textbooks were also purchased for the 8<sup>th</sup> graders. Future purchases of math textbooks for grades 7 and 8 will be examined, additional science supplies and STEM kits, and other curriculum needs will be examined for 2016-17. These purchases will ensure our curriculum efforts are aligned to the CCSS, Next Generation Science Standards (NGSS), and New Jersey Core Curriculum Content Standards (NJCCCS). New technology purchases included a new server, staff computers, projectors, and Chromebooks.

The referendum projects that were still outstanding were completed, such as the emergency exits and exterior back steps. Additional facility projects were also conducted such as a new floor in one classroom that had water damage, student bells fixed, power to water fountains restored, poison ivy treated, and miscellaneous electrical work.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the District is also responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to major federal and state award programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

The Honorable President and Members of  
the Board of Education of the  
Netcong Borough School District  
County of Morris, New Jersey  
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5) BUDGETARY CONTROLS: An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2015.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

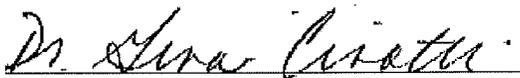
7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Board oversees risk management for the District. A schedule of insurance coverage is found in J-20.

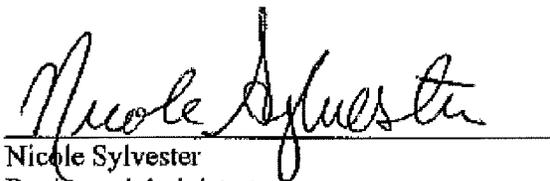
9) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related Federal OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey's OMB Circular 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Netcong Borough School District Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Respectfully submitted,

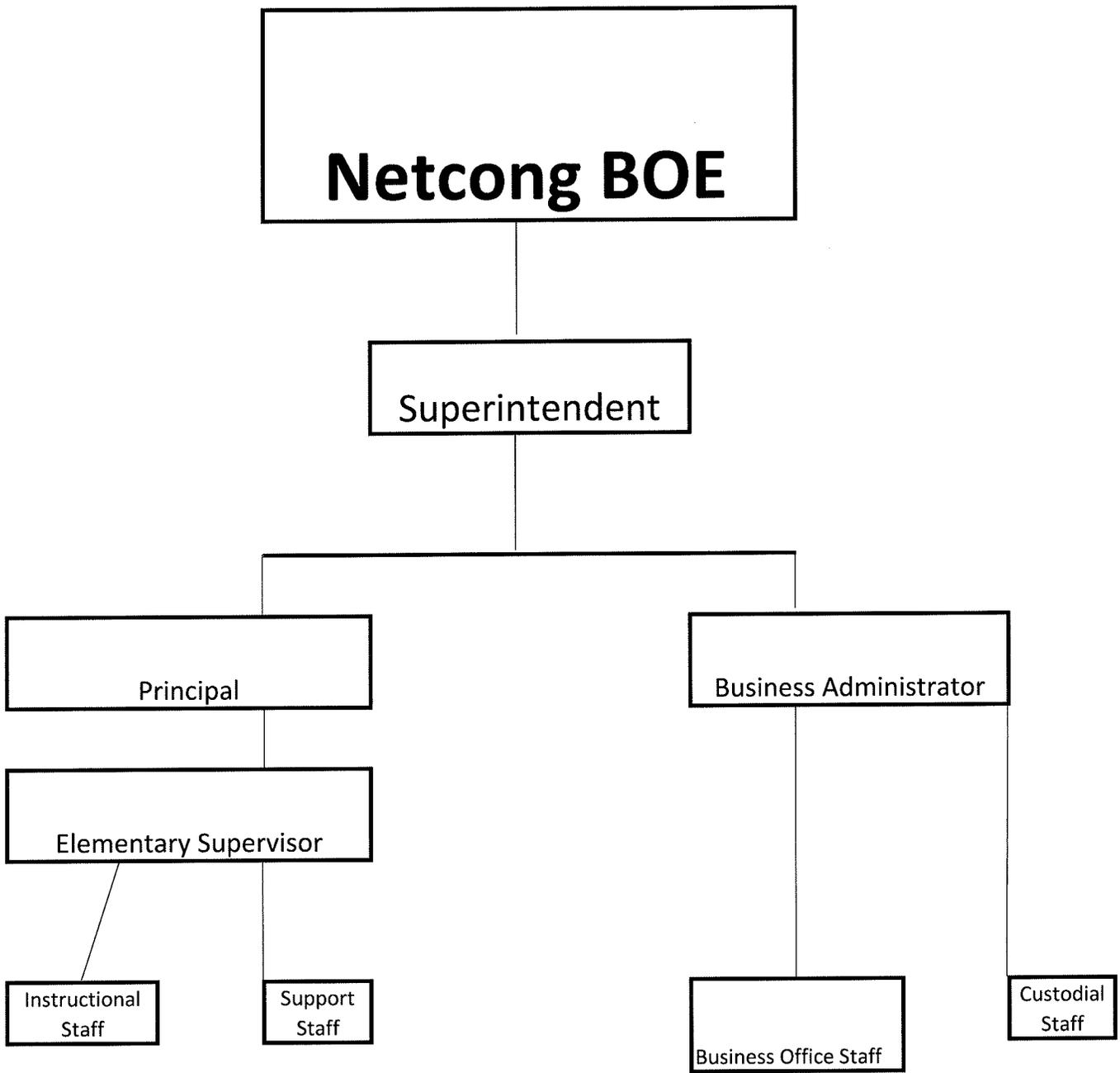


Dr. Gina Cinotti  
Chief School Administrator



Nicole Sylvester  
Business Administrator

# Netcong Public Schools Organizational Chart



# NETCONG BOROUGH SCHOOL DISTRICT

## ROSTER OF OFFICIALS

**JUNE 30, 2015**

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Bernadette Dalesandro, President	2018
Marianne Callahan, Vice President	2017
Joseph Coldarci III	2016
Patrick McQueeney	2017
Todd Morton	2017
Lynn Popelka	2016
Jennifer Santana	2016
William Stevens	2016
Colleen Suflay	2015
 <u>OTHER OFFICIALS</u>	 <u>TITLE</u>
Chief School Administrator (July 1, 2014 – September 30, 2014)	Kevin Carroll
Interim Superintendent (October 1, 2014 – June 30, 2015)	Pio Pennisi
Interim Business Administrator/Board Secretary (July 1, 2014 – December 31, 2014)	Rene Solar
Assistant BA/ Board Secretary (October 1, 2014 – December 31, 2014)	Nicole Sylvester
Business Administrator/ Board Secretary (January 1, 2015 – June 30, 2015)	Nicole Sylvester
Treasurer of School Monies (July 1, 2014 – December 31, 2014)	Sallyann McCarty
Treasurer of School Monies ( January 1, 2015 – June 30, 2015)	Rene Solar

**NETCONG BOROUGH SCHOOL DISTRICT**

**CONSULTANTS AND ADVISORS**

**ARCHITECT**

Parette Somjen  
439 Route 46 East  
Rockaway, New Jersey 07866

**ATTORNEY**

Andrew Brown, Esq.  
Schwartz, Simon, Edelstein, Celso and Kessler, LLP  
100 South Jefferson Road, Suite 200  
Whippany, New Jersey 07984

**AUDIT FIRM**

Nisivoccia LLP  
Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mount Arlington, New Jersey 07856

**BOND COUNSEL**

Lisa Gorab, Esq.  
Wilentz, Goldman and Spitzer, P.A.  
90 Woodbridge Center Drive  
Suite 900 Box 10  
Woodbridge, New Jersey 07095

**OFFICIAL DEPOSITORIES**

Valley National Bank  
410 Route 94  
Newton, New Jersey 07860

MBIA Municipal Investors Service Corporation  
113 King Street  
Armonk, New York 10504

Wells Fargo  
50 International Drive South  
Flanders, New Jersey 07836

FINANCIAL SECTION



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

## Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education of the  
 Netcong Borough School District  
 County of Morris, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Netcong Borough School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise of the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable President and Members  
of the Board of Education  
Netcong Borough School District  
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### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Netcong Borough School District, in the County of Morris, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 8 to the basic financial statements, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 17 to the basic financial statements.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the required supplementary information pension schedules and the budgetary comparison information in Exhibits C-1 through C-3 and I-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and

The Honorable President and Members  
of the Board of Education  
Netcong Borough School District  
Page 3

were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 24, 2015  
Mount Arlington, New Jersey

*Nisivoccia, WP*

NISIVOCCIA LLP

*Kathryn L. Mantell*

\_\_\_\_\_  
Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

This section of the Netcong Borough Board of Education's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

**Financial Highlights**

- Total net position has increased by \$108,259 or 4.62%
- Overall revenue was \$5,687,304.
- Overall expenses were \$5,579,045.

**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1  
Organization of District's Financial Report**

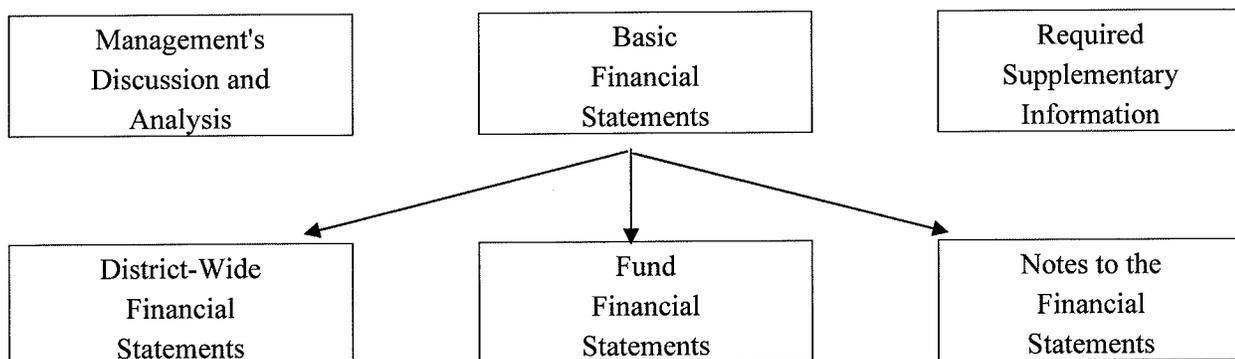


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

Figure A-2

*Major Features of the District-Wide and Fund Financial Statements*

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, food services program	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets, deferred inflows and outflows and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

***District-wide Statements***

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred inflows and outflows and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

***Fund Financial Statements***

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

**Notes to the Basic Financial Statements**

The notes provide information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

**Financial Analysis of the District as a Whole**

*Net Position.* The District's *combined* net position was \$2,453,931 on June 30, 2015, \$108,259 or 4.62% more than the year before. (See Figure A-3).

**Figure A-3**

**Condensed Statement of Net Position**

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2014/2015	2013/2014*	2014/2015	2013/2014*	2014/2015	2013/2014*	
<b>Assets:</b>							
Current and Other Assets	\$ 442,424	\$ 803,164	\$ 23,564	\$ 12,600	\$ 465,988	\$ 815,764	-42.88%
Capital Assets, Net	4,449,388	4,497,465	13,474	15,047	4,462,862	4,512,512	-1.10%
Total Assets	4,891,812	5,300,629	37,038	27,647	4,928,850	5,328,276	-7.50%
<b>Deferred Outflows of Resources</b>							
	266,022				266,022		100.00%
<b>Liabilities:</b>							
Long-Term Liabilities	2,532,690	2,365,979			2,532,690	2,365,979	7.05%
Other Liabilities	164,541	612,368	2,749	4,257	167,290	616,625	-72.87%
Total Liabilities	2,697,231	2,978,347	2,749	4,257	2,699,980	2,982,604	-9.48%
<b>Deferred Inflows of Resources</b>							
	40,961				40,961		100.00%
<b>Net Position:</b>							
Net Investment in Capital							
Assets	2,702,388	2,648,217	13,474	15,047	2,715,862	2,663,264	1.97%
Restricted	274,064	275,024			274,064	275,024	-0.35%
Unrestricted/(Deficit)	(556,810)	(600,959)	20,815	8,343	(535,995)	(592,616)	9.55%
Total Net Position	\$ 2,419,642	\$ 2,322,282	\$ 34,289	\$ 23,390	\$ 2,453,931	\$ 2,345,672	4.62%

\*Restated

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

*Changes in Net Position.* The District's combined net position increased \$108,259 or 4.62%. Net position from governmental activities increased \$97,360 and net position from business-type activities increased by \$10,899. Net investment in capital assets increased \$52,598 due to \$975 of expenses related to the construction of renovations to the Netcong Elementary School and a \$75,000 and \$27,248 reduction in bonds and capital leases payable offset by \$50,625 of current year depreciation. Restricted net position for governmental activities decreased \$960 due to \$975 of capital projects expenses offset by \$15 interest earned. Unrestricted net position increased by \$56,621 primarily due to a reduction in expenses and an increase in tuition, state aid, miscellaneous revenue, and the increase in the net pension liability and associated pension deferred inflows and outflows.

**Figure A-4  
Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2014/2015	2013/2014	2014/2015	2013/2014	2014/2015	2013/2014	
Revenue:							
Program Revenue:							
Charges for Services	\$ 56,107	\$ 14,090	\$ 33,638	\$ 28,949	\$ 89,745	\$ 43,039	108.52%
Operating Grants & Contributions	1,543,717	973,626	65,562	62,844	1,609,279	1,036,470	55.27%
General Revenue:							
Property Taxes	3,051,086	2,889,169			3,051,086	2,889,169	5.60%
Unrestricted Federal & State Aid	876,881	1,112,705			876,881	1,112,705	-21.19%
Other	60,602	3,919	(289)	9	60,313	3,928	1435.46%
Total Revenue	<u>5,588,393</u>	<u>4,993,509</u>	<u>98,911</u>	<u>91,802</u>	<u>5,687,304</u>	<u>5,085,311</u>	11.84%
Expenses:							
Instruction	3,654,498	3,273,554			3,654,498	3,273,554	11.64%
Pupil and Instruction Services	709,275	601,858			709,275	601,858	17.85%
Administrative and Business	621,544	606,319			621,544	606,319	2.51%
Maintenance and Operations	294,087	307,377			294,087	307,377	-4.32%
Transportation	68,324	110,835			68,324	110,835	-38.36%
Other	143,305	187,461	88,012	91,532	231,317	278,993	-17.09%
Total Expenses	<u>5,491,033</u>	<u>5,087,404</u>	<u>88,012</u>	<u>91,532</u>	<u>5,579,045</u>	<u>5,178,936</u>	7.73%
Increase/(Decrease) in Net Position	<u>\$ 97,360</u>	<u>\$ (93,895)</u>	<u>\$ 10,899</u>	<u>\$ 270</u>	<u>\$ 108,259</u>	<u>\$ (93,625)</u>	

*Revenue Sources.* The District's total revenue for the 2014-2015 school year was \$5,687,304. (See Figure A-4). Property taxes accounted for most of the District's revenue with local taxes accounting for \$3,051,086 of the total, or 53.65%. (See Figure A-5). Another 1.58% came from charges for services (tuition, transportation, etc.), 43.71% came from state and federal aid and the remaining 1.06% from miscellaneous sources.

**Figure A-5  
Sources of School District Revenue - Fiscal Year 2015 and 2014**

	2015	Percentage	2014	Percentage
Sources of Income:				
Property Taxes	\$ 3,051,086	53.65%	\$ 2,889,169	56.81%
Federal and State Grants and Aid	2,486,160	43.71%	2,149,175	42.26%
Charges for Services	89,745	1.58%	43,039	0.85%
Other	60,313	1.06%	3,928	0.08%
	<u>\$ 5,687,304</u>	<u>100.00%</u>	<u>\$ 5,085,311</u>	<u>100.00%</u>

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

The total cost of all programs and services was \$5,579,045. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (79.44 percent). (See Figure A-6). The District's administrative and business activities accounted for 11.14%. The Netcong Borough Board of Education operates one school and an administration building for which maintenance costs are 5.27% of total expenses. Other expenses include \$31,939 of capital outlay expenses that were not capitalized, \$39,599 of unallocated depreciation, \$71,767 of interest on long-term debt and \$88,012 for food service.

**Figure A-6  
Sources of School District Expenses - Fiscal Year 2015 and 2014**

Expense Category:	2015	Percentage	2014	Percentage
Instruction	\$ 3,654,498	65.50%	\$ 3,273,554	63.20%
Pupil and Instruction Services	709,275	12.71%	601,858	11.62%
Administrative and Business	621,544	11.14%	606,319	11.71%
Maintenance and Operations	294,087	5.27%	307,377	5.94%
Transportation	68,324	1.23%	110,835	2.14%
Other	231,317	4.15%	278,993	5.39%
	<u>\$ 5,579,045</u>	<u>100.00%</u>	<u>\$ 5,178,936</u>	<u>100.00%</u>

### Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District has improved. However, maintaining existing programs with a slight decrease in enrollment and the provision of special programs and services for disabled pupils, combined with rising salary, benefits and energy costs, place great demands on the District's resources.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented during the year were:

- Cost comparisons are made on a continuous basis by the Business Administrator in order to assure savings in major expense areas.
- Efforts are made to keep purchase increases within the 2% cap.
- Cash flow is carefully monitored due to tight budgetary constraints.
- A reduction in staff, teachers, and stipend positions
- A decrease in field trip costs
- A spending freeze

It is crucial that the District examine its expenses carefully. Staff, parental and student demands for activities, small class sizes and programs must be evaluated thoroughly. Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)**

**Figure A-7  
Net Cost of Governmental Activities**

	Total Costs of Services		Net Cost of Services	
	2014/2015	2013/2014	2014/2015	2013/2014
Instruction	\$ 3,654,498	\$ 3,273,554	\$ 2,249,952	\$ 2,321,801
Pupil and Instruction Services	709,275	601,858	624,143	601,858
Administrative and Business	621,544	606,319	527,878	584,446
Maintenance and Operations	294,087	307,377	278,966	307,377
Transportation	68,324	110,835	66,965	110,835
Other	143,305	187,461	143,305	187,461
	<u>\$ 5,491,033</u>	<u>\$ 5,087,404</u>	<u>\$ 3,891,209</u>	<u>\$ 4,113,778</u>

***Governmental Activities***

- The cost of all governmental activities this year was \$5,491,033.
- The federal and state governments subsidized certain programs with grants and contributions (\$2,420,598).
- Most of the District's costs were financed by \$3,051,086 of District taxes.
- The remainder of the District's funding came from miscellaneous revenue (\$60,602) and charges for services (\$56,107).

***Business-Type Activities***

- Net position from the District's business-type activity increased \$10,899 as a result of increased student participation and revenue combined with a reduction in expenses. (Refer to Figure A-4).

***General Fund Budgetary Highlights***

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- Changes in budgetary line accounts to more accurately reflect current requirements.

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015**

**(Unaudited)**

**Capital Asset and Debt Administration**

**Figure A-8  
Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2014/2015	2013/2014*	2014/2015	2013/2014*	2014/2015	2013/2014*	
Land	\$ 892	\$ 892			\$ 892	\$ 892	0.00%
Construction in Progress	3,075,839	3,452,729			3,075,839	3,452,729	-10.92%
Buildings and Building Improvements	1,347,728	1,012,618			1,347,728	1,012,618	33.09%
Furniture, Machinery and Equipment	24,929	31,226	\$ 13,474	\$ 15,047	38,403	46,273	-17.01%
Total Capital Assets (Net)	<u>\$ 4,449,388</u>	<u>\$ 4,497,465</u>	<u>\$ 13,474</u>	<u>\$ 15,047</u>	<u>\$ 4,462,862</u>	<u>\$ 4,512,512</u>	-1.10%

\* Restated

The District's capital assets decreased by \$49,650, or 0.92%, due to \$975 of capital project expenses offset by depreciation of \$49,052 from its governmental activities and \$1,573 from its business type activities. More detailed information regarding the District's Capital Assets is presented in Note 6 to the basic financial statements.

**Long-term Debt**

The District's total long-term debt was \$2,532,690 at June 30, 2015; \$108,337 or 5.55% lower than the year before. The District continued to paydown its Serial Bonds and Capital Leases during the year. At year-end, the District had \$98,360 in Compensated Absences Payable outstanding – a decrease of \$6,089 from the prior year - as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the basic financial statements.)

**Figure A-9  
Outstanding Long-Term Debt**

	Total School District		Percentage Change
	2014/2015	2013/2014*	
Serial Bonds	\$ 1,747,000	\$ 1,822,000	-4.12%
Capital Leases Payable		27,248	-100.00%
Compensated Absences Payable	98,360	104,449	-5.83%
Net Pension Liability	687,330	412,282	66.71%
	<u>\$ 2,532,690</u>	<u>\$ 2,365,979</u>	7.05%

\*Restated

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2015**

**(Unaudited)**

**Factors Bearing on the District's Future Revenue/Expense Changes**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Keeping within the 2% cap levy is challenging but is viewed as an opportunity to review resource allocation and structure.
- Shared services, where possible, are being used where cost savings are realized without impact to the importance of continuity, certification and performance.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 26 College Road, Netcong, New Jersey 07857.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 379,478	\$ 20,572	\$ 400,050
Receivables from Federal Government	17,834	1,975	19,809
Receivables from State Government	27,213	85	27,298
Receivables from Other Government	10,613		10,613
Other Accounts Receivable	310		310
Interfund Receivable	23		23
Inventory		932	932
Restricted Assets - Cash and Cash Equivalents:			
Capital Reserve Account	6,953		6,953
Capital Assets, Net:			
Sites (Land) and Construction in Progress	3,076,731		3,076,731
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	1,372,657	13,474	1,386,131
Total Assets	<u>4,891,812</u>	<u>37,038</u>	<u>4,928,850</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Changes in Assumptions - Pensions	21,613		21,613
Changes in Proportion - Pensions	244,409		244,409
Total Deferred Outflows of Resources	<u>266,022</u>		<u>266,022</u>
<b>LIABILITIES</b>			
Accrued Interest Payable	8,786		8,786
Payable to State Government	20,671		20,671
Accounts Payable - Vendors	16,421	2,368	18,789
Temporary Loans Payable	115,613		115,613
Unearned Revenue	3,050	381	3,431
Noncurrent Liabilities:			
Due Within One Year	85,960		85,960
Due Beyond One Year	2,446,730		2,446,730
Total Liabilities	<u>2,697,231</u>	<u>2,749</u>	<u>2,699,980</u>

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
DEFERRED INFLOWS OF RESOURCES			
Investment Gains - Pensions	40,961		40,961
Total Deferred Outflows of Resources	40,961		40,961
NET POSITION			
Net Investment in Capital Assets	2,702,388	13,474	2,715,862
Restricted for:			
Capital Projects	274,064		274,064
Unrestricted/(Deficit)	(556,810)	20,815	(535,995)
Total Net Position	<u>\$ 2,419,642</u>	<u>\$ 34,289</u>	<u>\$ 2,453,931</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 2,626,959	\$ 56,107	\$ 743,632		\$ (1,827,220)		\$ (1,827,220)
Special Education	952,443		586,492		(365,951)		(365,951)
Other Instruction	26,619		3,255		(23,364)		(23,364)
School-Sponsored Instruction	48,477		15,060		(33,417)		(33,417)
Support Services:							
Tuition	20,112		16,003		(4,109)		(4,109)
Student & Instruction Related Services	689,163		69,129		(620,034)		(620,034)
General Administrative Services	183,244		13,047		(170,197)		(170,197)
School Administrative Services	291,622		64,309		(227,313)		(227,313)
Central Services	129,624		16,310		(113,314)		(113,314)
Administration Information Technology	17,054				(17,054)		(17,054)
Plant Operations and Maintenance	294,087		15,121		(278,966)		(278,966)
Pupil Transportation	68,324		1,359		(66,965)		(66,965)
Unallocated Depreciation	39,599				(39,599)		(39,599)
Capital Outlay	31,939				(31,939)		(31,939)
Interest on Long-Term Debt	71,767				(71,767)		(71,767)
Total Governmental Activities	5,491,033	56,107	1,543,717		(3,891,209)		(3,891,209)

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 88,012	\$ 33,638	\$ 65,562			\$ 11,188	\$ 11,188
Total Business-Type Activities	88,012	33,638	65,562			11,188	11,188
Total Primary Government	<u>\$ 5,579,045</u>	<u>\$ 89,745</u>	<u>\$ 1,609,279</u>	<u>\$ -0-</u>	<u>\$ (3,891,209)</u>	<u>11,188</u>	<u>(3,880,021)</u>
General Revenues and Special Items:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					2,904,108		2,904,108
Taxes Levied for Debt Service					146,978		146,978
Federal and State Aid Not Restricted					876,881		876,881
Investment Earnings					52	26	78
Miscellaneous Income					60,550		60,550
Special Item - Cancellation of Accounts Receivable						(315)	(315)
Total General Revenues and Special Items					<u>3,988,569</u>	<u>(289)</u>	<u>3,988,280</u>
Change in Net Position					97,360	10,899	108,259
Net Position - Beginning (Restated)					<u>2,322,282</u>	<u>23,390</u>	<u>2,345,672</u>
Net Position - Ending					<u>\$ 2,419,642</u>	<u>\$ 34,289</u>	<u>\$ 2,453,931</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

Exhibit B-1

NETCONG BOROUGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 110,586	\$ 15,138	\$ 253,754		\$ 379,478
Interfund Receivable	23				23
Receivables from Federal Government		17,834			17,834
Receivables from State Government	27,213				27,213
Receivables for Other Government	10,613				10,613
Other Accounts Receivable	310				310
Restricted Cash and Cash Equivalents	6,953				6,953
<b>Total Assets</b>	<u>\$ 155,698</u>	<u>\$ 32,972</u>	<u>\$ 253,754</u>	<u>\$ -0-</u>	<u>\$ 442,424</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Payable to State Government		\$ 20,671			\$ 20,671
Accounts Payable - Vendors	\$ 7,114	9,307			16,421
Temporary Loans Payable	115,613				115,613
Unearned Revenue	56	2,994			3,050
<b>Total Liabilities</b>	<u>122,783</u>	<u>32,972</u>			<u>155,755</u>
<b>Fund Balances:</b>					
<b>Restricted</b>					
Capital Reserve Account	6,953				6,953
Capital Projects Fund			\$ 267,111		267,111
<b>Assigned:</b>					
Year End Encumbrances	8,400				8,400
Unassigned/(Deficit)	17,562		(13,357)		4,205
<b>Total Fund Balances</b>	<u>32,915</u>		<u>253,754</u>		<u>286,669</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 155,698</u>	<u>\$ 32,972</u>	<u>\$ 253,754</u>	<u>\$ -0-</u>	

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The cost of the assets is \$5,696,063 and the accumulated depreciation is \$1,246,675.	4,449,388
Interest on long term debt is not accrued in government funds, but rather is recognized as expenditure when due.	(8,786)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions	21,613
Investment Gains - Pensions	(40,961)
Changes in Proportions - Pensions	244,409

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are Different Because:

Long-Term Liabilities, Including Bonds Payable, are not due and payable in the current period and therefore is not reported as a liability in the Funds.	<u>(2,532,690)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 2,419,642</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 2,904,108			\$ 146,978	\$ 3,051,086
Tuition	56,107				56,107
Interest Earned on Capital Reserve Funds	15				15
Miscellaneous	60,550	\$ 9,906	\$ 37		70,493
<b>Total - Local Sources</b>	<b>3,020,780</b>	<b>9,906</b>	<b>37</b>	<b>146,978</b>	<b>3,177,701</b>
State Sources	1,668,155	56,146			1,724,301
Federal Sources		177,701			177,701
<b>Total Revenues</b>	<b>4,688,935</b>	<b>243,753</b>	<b>37</b>	<b>146,978</b>	<b>5,079,703</b>
<b>EXPENDITURES</b>					
Current:					
Regular Instruction	1,522,887	139,415			1,662,302
Special Education Instruction	516,958	104,338			621,296
Other Instruction	21,416				21,416
School Sponsored Instruction	24,406				24,406
Support Services and Undistributed Costs:					
Tuition	20,112				20,112
Student & Instruction Related Services	478,162				478,162
General Administrative Services	143,423				143,423
School Administrative Services	178,267				178,267
Central Services	107,089				107,089
Administrative Information Technology	17,054				17,054
Plant Operations and Maintenance	247,031				247,031

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>EXPENDITURES</b>					
<b>Current:</b>					
Pupil Transportation	\$ 68,324				\$ 68,324
Unallocated Benefits	1,224,053				1,224,053
Capital Outlay	31,902		\$ 1,012		32,914
<b>Debt Service:</b>					
Principal				\$ 75,000	75,000
Interest and Other Charges				71,978	71,978
<b>Total Expenditures</b>	<b>4,601,084</b>	<b>\$ 243,753</b>	<b>1,012</b>	<b>146,978</b>	<b>4,992,827</b>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	87,851		(975)		86,876
Fund Balance/(Deficit)—July 1	(54,936)		254,729		199,793
Fund Balance—June 30	<u>\$ 32,915</u>	<u>\$ -0-</u>	<u>\$ 253,754</u>	<u>\$ -0-</u>	<u>\$ 286,669</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 86,876

Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit A-2) are Different Because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differed from depreciation.

Depreciation expense	\$ (49,052)	
Capital outlays	<u>975</u>	(48,077)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+). 6,089

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). 211

Capital leases are a financing source in the governmental funds. They are not revenue in the statement of activities; capital leases increase long-term liabilities in the statement of net position. 27,248

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+) 75,000

NETCONG BOROUGH SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit A-2) are Different Because:

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability	\$ (275,048)
Deferred Outflows:	
Changes in Assumptions	21,613
Changes in Proportions	244,409
Deferred Inflows:	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	(40,961)
Change in Net Position of Governmental Activities (Exhibit A-2)	\$ <u>97,360</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-4

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2015

	Business-Type Activities - Enterprise Funds Food Service
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 20,572
Intergovernmental Receivable:	
Federal	1,975
State	85
Inventory	932
Total Current Assets	23,564
Non-Current Assets:	
Capital Assets:	23,600
Less: Accumulated Depreciation	(10,126)
Total Non-Current Assets	13,474
Total Assets	37,038
<b>LIABILITIES:</b>	
Accounts Payable - Vendors	2,368
Unearned Revenue	381
Total Liabilities	2,749
<b>NET POSITION:</b>	
Net Investment in Capital Assets	13,474
Unrestricted	20,815
Total Net Position	\$ 34,289

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-5

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Business-Type            Activities -            Enterprise Funds            Food Service</u>
Operating Revenue:	
Charges for Services:	
Daily Sales	\$ 33,638
Total Operating Revenue	<u>33,638</u>
Operating Expenses:	
Salaries, Benefits & Payroll Taxes	30,004
Cost of Sales	47,563
Supplies, Insurance & Other Costs	1,675
Purchased Professional Services	7,197
Depreciation Expense	1,573
Total Operating Expenses	<u>88,012</u>
Operating Loss	<u>(54,374)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	46,556
School Breakfast Program	9,612
Food Distribution Program	8,242
State Sources:	
State School Lunch Program	1,152
Local Sources	
Interest Income	26
Total Non-Operating Revenue	<u>65,588</u>
Change in Net Position Before Special Item	11,214
Special Item - Cancellation of Intergovernmental Receivable	<u>(315)</u>
Change in Net Position	10,899
Net Position - Beginning of Year (Restated)	<u>23,390</u>
Net Position - End of Year	<u>\$ 34,289</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
 AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-6

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 37,482
Payments to Employees	(30,004)
Payments to Food Service Vendor	(50,373)
Net Cash Used for Operating Activities	(42,895)
Cash Flows from Investing Activities:	
Interest on Investments	26
Net Cash Provided by Investing Activities	26
Cash Flows from Noncapital Financing Activities:	
Federal Subsidy Reimbursements	57,156
State Subsidy Reimbursements	1,134
Net Cash Provided by Noncapital Financing Activities	58,290
Net Increase in Cash and Cash Equivalents	15,421
Cash and Cash Equivalents, July 1	5,151
Cash and Cash Equivalents, June 30	\$ 20,572
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (54,374)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	1,573
Food Distribution Program	8,242
Changes in Assets and Liabilities:	
Decrease in Interfund Receivable	3,844
(Increase) in Inventory	(672)
(Decrease) in Accounts Payable	(1,629)
Increase in Deferred Revenue	121
Net Cash Used for Operating Activities	\$ (42,895)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received \$8,363 and utilized \$8,242 of commodities from the Federal Food Distribution Program for the year ended June 30, 2015.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2015

	<u>Agency</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$        20,859</u>
Total Assets	<u>                  20,859</u>
LIABILITIES:	
Interfund Payable	23
Due to Student Groups	<u>          20,836</u>
Total Liabilities	<u><u>\$        20,859</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOT APPLICABLE

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of the Netcong Borough School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include an elementary school located in Netcong Borough. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business-type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

Fund Financial Statements: During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

The District reports the following proprietary fund:

Enterprise Funds: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria operations. The Food Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund types:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund and the Payroll Agency Fund.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budget for the fiscal year ended June 30, 2015 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by school board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the two last state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 4,690,462	\$ 243,753
Differences - Budget to GAAP:		
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	114,086	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(115,613)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 4,688,935	\$ 243,753
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 4,601,084	\$ 243,753
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 4,601,084	\$ 243,753

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of government units. If a public depository fails, the collateral it has a pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the governmental units.

F. Interfund Transactions

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at the fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year end.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Encumbrances (Cont'd)

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

I. Short-term Interfund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

K. Capital Assets

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

L. Accrued Salaries and Wages

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2015.

M. Long Term Liabilities

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premium and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

N. Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In the district-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

O. Unearned Revenue

Unearned revenue in the Special Revenue Fund represents cash which has been received but not yet earned. See Note 1(D) regarding the Special Revenue Fund.

P. Fund Balance Appropriated

General Fund: Of the \$32,915 General Fund fund balance at June 30, 2015, \$6,953 is restricted in the capital reserve account; \$8,400 is assigned for year end encumbrances; and \$17,562 is unassigned, which is \$115,613 less on a GAAP basis due to the final two state aid payments not being recognized on a GAAP basis.

Capital Projects Fund: The Capital Projects Fund has a fund balance of \$253,754 at June 30, 2015; \$267,111 is restricted and \$13,357 is an unassigned deficit.

Debt Service Fund: There is no Debt Service Fund fund balance as of June 30, 2015.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Fund Balance Appropriated (Cont'd)

Calculation of Excess Surplus: The designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District did not have excess fund balance at June 30, 2015.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$115,613, as reported in the fund financial statements (modified accrual basis). P.L. 2004, c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit Net Position and Fund Balance

There is a deficit in unrestricted governmental activities net position in the amount of \$556,810. The deficit is due to the assigned fund balances for year-end encumbrances of \$8,400, unassigned fund balance of \$17,562 in the General Fund, unassigned deficit of \$13,357 in the Capital Projects Fund, investment gains in pension of \$40,961, and a net pension liability of \$687,330 offset by compensated absences payable of \$98,360, \$8,786 of accrued interest payable, changes in proportions in pensions of \$244,409, and changes in assumptions in pension of \$21,613 as of June 30, 2015. This deficit does not mean that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

R. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. The District has deferred outflows of resources at June 30, 2015 for the deferred amount on the refunding bonds, changes in assumptions and changes in proportion in pensions.

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District has a deferred inflow of resources at June 30, 2015 for the net difference between projected and actual investment earnings on pension plan investments.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Net Position (Cont'd)

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for the capital reserve account and Capital Projects Fund.

The District's Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2015.

The assignment of resources is generally made by the District's Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has \$8,400 assigned for year end encumbrances in the General Fund at June 30, 2015.

T. Revenue - Exchange and Non-exchange Transactions

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Revenue - Exchange and Non-exchange Transactions (Cont'd)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest and tuition.

U. Operating Revenue and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents, and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments (Cont'd)

- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2015, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Checking and Savings Accounts	\$ 420,909	\$ 6,953	\$ 427,862

During the period ended June 30, 2015, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2015, was a \$427,862 and the bank balance was \$496,258.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Netcong Borough School District by inclusion of \$1 on October 1, 2001 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Balance June 30, 2014	\$	6,938
Interest Earnings		15
Balance June 30, 2015	\$	6,953

The balance in the capital reserve at June 30, 2015 did not exceed the balance of the local support costs of uncompleted capital projects in the District's approved LRFP.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2015, the District transferred a total of \$24,952 to capital outlay accounts for equipment which did not require County Superintendent approval.

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	Restated Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 892			\$ 892
Construction in Progress	3,452,729	\$ 975	\$ (377,865)	3,075,839
Total Capital Assets Not Being Depreciated	3,453,621	975	(377,865)	3,076,731
Capital Assets Being Depreciated:				
Buildings and Building Improvements	2,183,467		377,865	2,561,332
Machinery and Equipment	58,000			58,000
Total Capital Assets Being Depreciated	2,241,467		377,865	2,619,332
Governmental Activities Capital Assets	5,695,088	975		5,696,063
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(1,170,849)	(42,755)		(1,213,604)
Machinery and Equipment	(26,774)	(6,297)		(33,071)
	(1,197,623)	(49,052)		(1,246,675)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 4,497,465	\$ (48,077)	\$ -0-	\$ 4,449,388
<b>Business Type Activities:</b>				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 23,600			\$ 23,600
Less Accumulated Depreciation	(8,553)	\$ (1,573)		(10,126)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 15,047	\$ (1,573)	\$ -0-	\$ 13,474

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$	5,013
General and School Administrative Services		3,537
Operations and Maintenance of Plant		903
General/Unallocated		39,599
		<u>39,599</u>
	\$	<u>49,052</u>

OPERATING LEASES

The District has commitments to lease computer equipment and textbooks under operating leases which expire in 2019. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2016	\$ 15,760
June 30, 2017	15,760
June 30, 2018	15,760
June 30, 2019	<u>15,760</u>
Total future minimum lease payments	<u>\$ 63,040</u>

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2015, the following changes occurred in liabilities reported in the district-wide financial statements:

	<u>Restated Balance 6/30/2014</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance 6/30/2015</u>
Serial Bonds Payable	\$ 1,822,000		\$ 75,000	\$ 1,747,000
Net Pension Liability	412,282	\$ 275,048		687,330
Capital Leases Payable	27,248		27,248	
Compensated Absences Payable	<u>104,449</u>		<u>6,089</u>	<u>98,360</u>
	<u>\$ 2,365,979</u>	<u>\$ 275,048</u>	<u>\$ 108,337</u>	<u>\$ 2,532,690</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. The serial bonds will be liquidated by the Debt Service Fund.

The District had bonds outstanding as of June 30, 2015 as follows:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
5/15/2031	2.375% - 4.50%	<u>\$ 1,747,000</u>

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable: (Cont'd)

Principal and interest due on serial bonds outstanding are as follows:

Fiscal Year	Bonds		Total
	Principal	Interest	
2016	\$ 80,000	\$ 70,290	\$ 150,290
2017	85,000	68,390	153,390
2018	85,000	66,052	151,052
2019	95,000	63,052	158,052
2020	95,000	60,534	155,534
2021-2025	550,000	279,638	829,638
2026-2030	630,000	80,686	710,686
2031	127,000	5,716	132,716
	<u>\$ 1,747,000</u>	<u>\$ 694,358</u>	<u>\$ 2,441,358</u>

B. Bonds Authorized But Not Issued:

The District had \$162 of bonds authorized but not issued related to its bond referendum for renovations to the Netcong Elementary School as of June 30, 2015.

C. Capital Leases Payable:

The District had no capital leases in fiscal year 2015.

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental fund is \$5,960 and is separated from the long-term liability balance of compensated balances of \$92,400. Compensated absences will be liquidated through the General Fund.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, no liability existed for compensated absences in the Enterprise Funds.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2015 is \$-0- and the long-term portion is \$687,330. See Note 8 for further information on the PERS.

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$35,786 for fiscal year 2015.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions (Cont'd)

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$687,330 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.004%, which was a decrease of 0.002% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$80,265. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 21,613	
Changes in Proportion	244,409	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		\$ 40,961
	<u>\$ 266,022</u>	<u>\$ 40,961</u>

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2015	\$ (6,267)
2016	(6,267)
2017	(6,267)
2018	(6,267)
2019	3,973
Thereafter	1,747
	<u>\$ (19,348)</u>

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

Discount Rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2014 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Cont'd)

	Fiscal Year Ended June 30, 2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
District's proportionate share of the Net Pension Liability	\$ 864,684	\$ 687,330	\$ 538,397

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2015, the State of New Jersey contributed \$121,365 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$630,055.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the State's proportionate share of the net pension liability associated with the District was \$11,709,025. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.0219%, which was a decrease of 0.0002% from its proportion measured as of June 30, 2013.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>11,709,025</u>
Total	<u>\$ 11,709,025</u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the District in the amount of \$630,055 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 2,306,623,861	
Difference Between Expected and Actual Experience		\$ 21,969,019
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		1,741,236,574
	<u>\$ 2,306,623,861</u>	<u>\$ 1,763,205,593</u>

The \$2,306,623,861 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$21,969,019 reported as deferred outflows of resources related to pensions resulting from differences between expected and actual experience will be amortized over a period of 8.5 years. The \$1,741,236,574 reported as a deferred inflow of resources resulting from the difference between projected and actual investment earnings on pension plan investments will be amortized over 5 years.

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2016	\$ (130,688,498)
2017	(130,688,498)
2018	(130,688,498)
2019	(130,688,496)
2020	304,620,646
Thereafter	761,551,612
	<u>\$ 543,418,268</u>

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Actuarial Assumptions (Cont'd)

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.68% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2014 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (3.68%)	Current Discount Rate (4.68%)	1% Increase (5.68%)
Total Net Pension Liability	\$ 64,722,984,539	\$53,813,067,539	\$44,738,870,539

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

For DCRP, the District recognized pension expense of \$2,305 for the fiscal year ended June 30, 2015. Employee contributions to DCRP amounted to \$4,084 for the fiscal year ended June 30, 2015.

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State's on behalf Post-Retirement Medical Benefit Contributions for TPAF for the District amount to \$192,665, \$151,959 and \$158,753, for 2015, 2014, and 2013, respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains its health and dental coverage through the New Jersey State Health Benefits Plan.

Property and Liability Insurance

The Netcong Borough School District is a member of the New Jersey Schools Insurance Group ("NJSIG"). The NJSIG provides the District with workers' compensation, umbrella liability, school board legal liability, and crime policy insurance.

A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The NJSIG is a risk-sharing public entity risk management pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the NJSIG are elected.

As a member of the NJSIG, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the NJSIG were to be exhausted, members would become responsible for their respective shares of the NJSIG's liabilities. The NJSIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

The June 30, 2015 audit was not available as of the date of this report; however, selected, summarized financial information for NJSIG as of June 30, 2014 is as follows:

	<u>New Jersey Schools Insurance Group</u>
Total Assets	<u>\$ 293,795,686</u>
Net Position	<u>\$ 66,169,762</u>
Total Revenue	<u>\$ 120,623,875</u>
Total Expenses	<u>\$ 119,843,435</u>
Change in Net Position	<u>\$ 780,440</u>
Member Dividends	<u>\$ -0-</u>

Financial Statements for NJSIG are available at their respective Executive Director's Office:

New Jersey Schools Insurance Group  
450 Veterans Drive  
Burlington, NJ 08016  
(609) 386-6060

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District claims are paid by the State.

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 23	
Proprietary Funds		\$ 23
	<u>\$ 23</u>	<u>\$ 23</u>

The interfund between the General Fund and the Proprietary Funds represents interest earned in the Payroll Agency account which was not turned over to the General Fund as of June 30, 2015.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 12. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). These plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

AXA Equitable	Lincoln Investments
Aflac	Prudential
MetLife Investors	

NOTE 13. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined mutually agreed-upon schedule.

NOTE 14. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Grant Programs

The School District participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District is periodically involved in claims and lawsuits arising from operations. The District estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial position of the District.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 15. COMMITMENTS AND CONTINGENCIES (Cont'd)

Encumbrances

At June 30, 2015, there were encumbrances as detailed below in the governmental funds.

General Fund	Total Governmental Funds
\$ 8,400	\$ 8,400

NOTE 16. TEMPORARY LOAN PAYABLE

Due to the deferral of a second state aid payment, the District borrowed \$115,613 for cash flow purposes pursuant to N.J.S.A. 18A:22-44.2. The State remitted the two June state aid payments to the District in early July 2015. The State is responsible for the interest on the temporary loan.

NOTE 17. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to record the net pension liability as of June 30, 2014 as a result of implementing Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The District also made a prior year adjustment to restate capital asset based upon the new appraisal report as of 6/30/14 which was received in the current year.

	Balance 6/30/14 as Previously Reported	Retroactive Adjustments	Balance 6/30/14 as Restated
<u>Statement of Net Position:</u>			
<u>Governmental Activities:</u>			
Statement of Net Position:			
Assets:			
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	\$ 1,146,615	\$ (102,771)	\$ 1,043,844
Total Assets	5,403,400	(102,771)	5,300,629
Liabilities:			
Non-Current Liabilities	1,953,697	412,282	2,365,979
Total Liabilities	2,566,065	412,282	2,978,347
Net Position:			
Net Investment in Capital Assets	2,750,988	(102,771)	2,648,217
Unrestricted/(Deficit)	(175,320)	(412,282)	(587,602)
Total Net Position	2,837,335	(515,053)	2,322,282

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 17. PRIOR PERIOD ADJUSTMENTS (Cont'd)

	<u>Balance 6/30/14</u> <u>as Previously</u> <u>Reported</u>	<u>Retroactive</u> <u>Adjustments</u>	<u>Balance 6/30/14</u> <u>as Restated</u>
<u>Business Type Activities:</u>			
Statement of Net Position:			
Assets:			
Depreciable Site Improvements, Buildings and Building Improvements and Furniture, Machinery and Equipment	\$ 23,470	\$ (8,423)	\$ 15,047
Total Assets	36,070	(8,423)	27,647
Net Position:			
Net Investment in Capital Assets	23,470	(8,423)	15,047
Total Net Position	31,813	(8,423)	23,390

SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION

NETCONG BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,	
	2014	2015
District's Proportion of the Net Pension Liability	0.0021571919%	0.0036710977%
District's Proportionate Share of the Net Pension Liability	\$ 412,282	\$ 687,330
District's Covered Employee Payroll	\$ 123,694	\$ 215,357
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	333.31%	319.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.72%	52.08%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

NETCONG BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,	
	2014	2015
Contractually Required Contribution	\$ 16,254	\$ 30,264
Contributions in Relation to the Contractually Required Contribution	<u>(16,254)</u>	<u>(30,264)</u>
Contribution Deficiency/(Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Employee Payroll	\$ 123,694	\$ 215,357
Contributions as a Percentage of Covered Employee Payroll	13.14%	14.05%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

NETCONG BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' PENSION AND ANNUITY FUND  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
State's Proportion of the Net Pension Liability Attributable to the District	0.0217279139%	0.0219078354%
State's Proportionate Share of the Net Pension Liability Attributable to the District	\$ 10,981,117	\$ 11,709,025
District's Covered Employee Payroll	\$ 2,302,483	\$ 2,231,484
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	476.92%	524.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.76%	33.64%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

BUDGETARY COMPARISON SCHEDULES

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,904,108		\$ 2,904,108	\$ 2,904,108	
Tuition from Individuals	13,000		13,000	20,150	\$ 7,150
Tuition from Other LEAs				35,957	35,957
Private Contributions	25,000		25,000	10,000	(15,000)
Interest Earned on Capital Reserve Funds	50		50	15	(35)
Interest Earned on Investments		\$ 1,500	1,500	935	(565)
Miscellaneous	33,173	(1,500)	31,673	49,615	17,942
<b>Total - Local Sources</b>	<b>2,975,331</b>		<b>2,975,331</b>	<b>3,020,780</b>	<b>45,449</b>
State Sources:					
School Choice Aid	87,216		87,216	87,216	
Categorical Special Education Aid	169,291		169,291	169,291	
Categorical Security Aid	12,194		12,194	12,194	
Categorical Transportation Aid	86		86	86	
Equalization Aid	877,594		877,594	877,594	
Extraordinary Aid	35,000		35,000	16,003	(18,997)
Under Adequacy Aid	10,772		10,772	10,772	
PARCC Readiness Aid	2,950		2,950	2,950	
Per Pupil Growth Aid	2,950		2,950	2,950	
Nonpublic Transportation Aid				1,273	1,273
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				121,365	121,365
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				192,665	192,665
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				175,323	175,323
<b>Total State Sources</b>	<b>1,198,053</b>		<b>1,198,053</b>	<b>1,669,682</b>	<b>471,629</b>
Federal Sources:					
Medicaid Reimbursement	5,227		5,227		(5,227)
<b>Total Federal Sources</b>	<b>5,227</b>		<b>5,227</b>		<b>(5,227)</b>
<b>TOTAL REVENUES</b>	<b>4,178,611</b>		<b>4,178,611</b>	<b>4,690,462</b>	<b>511,851</b>

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSES					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 141,889	\$ 10,440	\$ 152,329	\$ 152,329	
Grades 1-5 - Salaries of Teachers	850,016	22,396	872,412	872,412	
Grades 6-8 - Salaries of Teachers	446,769	(7,031)	439,738	439,738	
Regular Programs - Home Instruction:					
Salaries of Teachers		350	350	350	
Purchased Professional-Educational Services		702	702	702	
Regular Programs - Undistributed Instruction:					
Purchased Professional-Educational Services	4,043	697	4,740	4,740	
Other Purchased Services	20,940	(7,197)	13,743	13,301	\$ 442
General Supplies	41,032	1,562	42,594	38,464	4,130
Textbooks	1,866	(1,390)	476	476	
Other Objects	3,099	(2,628)	471	375	96
Total Regular Programs - Instruction	<u>1,509,654</u>	<u>17,901</u>	<u>1,527,555</u>	<u>1,522,887</u>	<u>4,668</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	56,429	30,446	86,875	86,536	339
General Supplies	796	(81)	715	715	
Total Learning and/or Language Disabilities	<u>57,225</u>	<u>30,365</u>	<u>87,590</u>	<u>87,251</u>	<u>339</u>
Resource Room/Resource Center:					
Salaries of Teachers	357,235	(76,511)	280,724	274,391	6,333
Other Salaries for Instruction	17,493	27,369	44,862	38,582	6,280
General Supplies	1,187	264	1,451	1,451	
Textbooks	2,549	(239)	2,310	2,310	
Total Resource Room/Resource Center	<u>378,464</u>	<u>(49,117)</u>	<u>329,347</u>	<u>316,734</u>	<u>12,613</u>

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSES					
Preschool Disabilities - Full Time:					
Salaries of Teachers	\$ 48,719	\$ 44,395	\$ 93,114	\$ 92,558	\$ 556
Other Salaries for Instruction	12,478	7,427	19,905	19,905	
General Supplies	535		535	510	25
Total Preschool Disabilities - Full Time	61,732	51,822	113,554	112,973	581
Home Instruction:					
Salaries of Teachers	500		500		500
Total Home Instruction	500		500		500
Total Special Education - Instruction	497,921	33,070	530,991	516,958	14,033
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	31,385	(28,844)	2,541	2,541	
General Supplies	300	(155)	145	145	
Total Basic Skills/Remedial - Instruction	31,685	(28,999)	2,686	2,686	
Bilingual Education - Instruction:					
Salaries of Teachers	5,231	121	5,352	5,352	
General Supplies	150	296	446	446	
Total Bilingual Education - Instruction	5,381	417	5,798	5,798	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	18,444	3,503	21,947	21,947	
Supplies and Materials	900	(296)	604		604
Total School-Sponsored Cocurricular Activities - Instruction	19,344	3,207	22,551	21,947	604

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSES					
School-Sponsored - Athletics:					
Salaries	\$ 4,500	\$ (2,046)	\$ 2,454	\$ 1,634	\$ 820
Purchased Services	1,100	(192)	908	825	83
Supplies and Materials	832	(832)			
Total School-Sponsored - Athletics	6,432	(3,070)	3,362	2,459	903
Summer School Programs:					
Salaries of Teachers		12,932	12,932	12,932	
Total Summer School Programs		12,932	12,932	12,932	
Total Instruction	2,070,417	35,458	2,105,875	2,085,667	20,208
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Special	2,000	20,117	22,117	20,112	2,005
Tuition to Private Schools for the Disabled Within the State	39,000	(35,647)	3,353		3,353
Total Undistributed Expenditures - Instruction	41,000	(15,530)	25,470	20,112	5,358
Health Services:					
Salaries	65,863	1,878	67,741	67,741	
Purchased Professional and Technical Services	2,500	2,525	5,025	5,025	
Supplies and Materials	2,000	(300)	1,700	1,319	381
Other Objects	400	(80)	320	105	215
Total Health Services	70,763	4,023	74,786	74,190	596
Speech, OT, PT and Related Services:					
Salaries	64,350	(14,741)	49,609	49,609	
Purchased Professional - Educational Services	22,200	(13,021)	9,179	4,056	5,123
Supplies and Materials	2,109		2,109	1,715	394
Total Speech, OT, PT and Related Services	88,659	(27,762)	60,897	55,380	5,517

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

EXPENDITURES:	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>CURRENT EXPENSES</b>					
<b>Other Support Services - Students - Extraordinary Services:</b>					
Salaries	\$ 27,966	\$ (681)	\$ 27,285	\$ 27,285	
Purchased Professional - Educational Services	98,250	(20,542)	77,708	77,243	\$ 465
Supplies and Materials		80	80	80	
<b>Total Other Support Services - Students - Extraordinary Services</b>	<b>126,216</b>	<b>(21,143)</b>	<b>105,073</b>	<b>104,608</b>	<b>465</b>
<b>Guidance Services:</b>					
Other Purchased Professional and Technical Services	1,000	(1,000)			
Salaries of Secretarial & Clerical Assistants	28,906		28,906	28,906	
Supplies and Materials	200	(200)			
<b>Total Guidance Services</b>	<b>30,106</b>	<b>(1,200)</b>	<b>28,906</b>	<b>28,906</b>	
<b>Child Study Team:</b>					
Salaries of Other Professional Staff	146,097	(10,580)	135,517	135,517	
Salaries of Secretarial and Clerical Assistants	20,700		20,700	20,700	
Other Salaries	65,886	(65,886)			
Purchased Professional - Educational Services	3,725	(2,960)	765	765	
Miscellaneous Purchased Services (Other than Residential Costs)	500		500	106	394
Supplies and Materials	1,239	859	2,098	2,093	5
<b>Total Child Study Team</b>	<b>238,147</b>	<b>(78,567)</b>	<b>159,580</b>	<b>159,181</b>	<b>399</b>
<b>Improvement of Instruction Services:</b>					
Salaries of Other Professional Staff	25,000		25,000	21,875	3,125
Purchased Professional - Educational Services		1,000	1,000	1,000	
<b>Total Improvement of Instruction Services</b>	<b>25,000</b>	<b>1,000</b>	<b>26,000</b>	<b>22,875</b>	<b>3,125</b>

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSES					
Educational Media Services/School Library:					
Salaries of Technology Coordinators		\$ 31,942	\$ 31,942	\$ 31,942	
Supplies and Materials	\$ 2,000	(2,000)			
Total Educational Media Services/School Library	2,000	29,942	31,942	31,942	
Instructional Staff Training Services:					
Purchased Professional - Educational Services	5,000	(1,000)	4,000	1,065	\$ 2,935
Other Purchased Services		1,000	1,000	15	985
Total Instructional Staff Training Services	5,000		5,000	1,080	3,920
General Administration:					
Salaries	104,320	(24,832)	79,488	72,395	7,093
Legal Services	5,000	20,979	25,979	17,579	8,400
Audit Fees	20,000	(500)	19,500	19,500	
Other Purchased Professional Services	5,040	(1,072)	3,968	3,081	887
Communications/Telephone	17,230	(7,000)	10,230	9,279	951
Other Purchased Services (400-500 series)	13,610	1,483	15,093	14,033	1,060
General Supplies	5,400	(2,474)	2,926	2,926	
Miscellaneous Expenditures	6,010	(5,178)	832	191	641
BOE Membership Dues and Fees	10,912	(6,328)	4,584	4,439	145
Total General Administration	187,522	(24,922)	162,600	143,423	19,177

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSES					
School Administration:					
Salaries of Principals/Assistant Principals	\$ 71,750	\$ 75,929	\$ 147,679	\$ 144,187	\$ 3,492
Salaries of Secretarial and Clerical Assistants	27,445	(617)	26,828	26,828	
Purchased Professional and Technical Services		1,500	1,500		1,500
Supplies and Materials	9,105	(3,473)	5,632	5,632	
Other Objects	1,640		1,640	1,620	20
<b>Total School Administration</b>	<b>109,940</b>	<b>73,339</b>	<b>183,279</b>	<b>178,267</b>	<b>5,012</b>
Central Services:					
Salaries	99,876	3,426	103,302	90,502	12,800
Purchased Professional Services	200	550	750	750	
Miscellaneous Purchased Services	10,385		10,385	10,027	358
Sale/Lease - Back Payments	25,060	(25,060)			
Supplies and Materials	1,000	(600)	400	312	88
Interest on Lease Purchase Agreements	4,400		4,400	3,522	878
Interest on Bond Anticipation Notes (BAN's)		1,151	1,151	1,151	
Miscellaneous Expenditures	775	50	825	825	
<b>Total Central Services</b>	<b>141,696</b>	<b>(20,483)</b>	<b>121,213</b>	<b>107,089</b>	<b>14,124</b>
Administrative Information Technology:					
Purchased Professional Services	12,100	3,171	15,271	15,271	
Supplies and Materials	4,064	(2,281)	1,783	1,783	
<b>Total Administrative Information Technology</b>	<b>16,164</b>	<b>890</b>	<b>17,054</b>	<b>17,054</b>	

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSES					
Custodial Services:					
Salaries	\$ 72,750	\$ (15,750)	\$ 57,000	\$ 56,481	\$ 519
Cleaning, Repair and Maintenance Services	9,746	4,211	13,957	13,668	289
Other Purchased Property Services	3,200	(1,152)	2,048	1,937	111
Insurance	28,683	567	29,250	29,250	
General Supplies	16,000	(1,209)	14,791	14,791	
Energy (Electricity)	32,000	8,062	40,062	40,013	49
Energy (Natural Gas)	42,000	(8,847)	33,153	33,153	
Other Objects	500	(309)	191		191
<b>Total Custodial Services</b>	<b>204,879</b>	<b>(14,427)</b>	<b>190,452</b>	<b>189,293</b>	<b>1,159</b>
Required Maintenance of School Facilities:					
Salaries	22,550	13,450	36,000	27,420	8,580
Cleaning, Repair and Maintenance Services	28,552	(403)	28,149	28,149	
General Supplies	2,400	(146)	2,254	2,169	85
<b>Total Required Maintenance of School Facilities</b>	<b>53,502</b>	<b>12,901</b>	<b>66,403</b>	<b>57,738</b>	<b>8,665</b>
Student Transportation Services:					
Contracted Services:					
Other than Between Home and School - Vendors	10,310	(939)	9,371	6,653	2,718
Special Education Students - ESCs and CTSA's	85,000	(23,351)	61,649	56,367	5,282
Aid in Lieu Payments - Non-Public School	8,950	(3,553)	5,397	5,304	93
<b>Total Student Transportation Services</b>	<b>104,260</b>	<b>(27,843)</b>	<b>76,417</b>	<b>68,324</b>	<b>8,093</b>

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSES					
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	\$ 29,593	\$ 18,899	\$ 48,492	\$ 48,481	\$ 11
Other Retirement Contributions - Regular		2,613	2,613	2,305	308
Other Retirement Contributions - PERS	19,125	16,661	35,786	35,786	
Unemployment Compensation	8,950	2,254	11,204	11,204	
Workmen's Compensation	24,434	(2,276)	22,158	22,158	
Health Benefits	584,088	1,238	585,326	594,633	(9,307)
Other Employee Benefits	150	12,693	12,843	12,843	
Tuition Reimbursement	10,000	(2,710)	7,290	7,290	
<b>Total Unallocated Benefits - Employee Benefits</b>	<b>676,340</b>	<b>49,372</b>	<b>725,712</b>	<b>734,700</b>	<b>(8,988)</b>
Nonbudgeted:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				121,365	(121,365)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				192,665	(192,665)
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				175,323	(175,323)
<b>Total On-Behalf Contributions</b>				<b>489,353</b>	<b>(489,353)</b>
<b>Total Personal Services - Employee Benefits</b>	<b>676,340</b>	<b>49,372</b>	<b>725,712</b>	<b>1,224,053</b>	<b>(498,341)</b>
<b>Total Undistributed Expenditures</b>	<b>2,121,194</b>	<b>(60,410)</b>	<b>2,060,784</b>	<b>2,483,515</b>	<b>(422,731)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>4,191,611</b>	<b>(24,952)</b>	<b>4,166,659</b>	<b>4,569,182</b>	<b>(402,523)</b>

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures:					
Custodial Services		\$ 24,952	\$ 24,952	\$ 24,952	
Total Equipment		24,952	24,952	24,952	
Facilities Acquisition and Construction Services:					
Assessment for Debt Service on SDA	\$ 6,950		6,950	6,950	
Total Facilities Acquisition and Construction Services	6,950		6,950	6,950	
TOTAL CAPITAL OUTLAY	6,950	24,952	31,902	31,902	
TOTAL EXPENDITURES	4,198,561		4,198,561	4,601,084	\$ (402,523)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(19,950)		(19,950)	89,378	109,328
Fund Balance, July 1	59,150		59,150	59,150	
Fund Balance, June 30	\$ 39,200	\$ -0-	\$ 39,200	\$ 148,528	\$ 109,328

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2015  
 (UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation:					
Restricted for:					
Capital Reserve Account				\$ 6,953	
Assigned Fund Balance:					
Year End Encumbrances				8,400	
Unassigned				133,175	
				148,528	
Reconciliation to Governmental Fund Statement (GAAP):					
Last Two State Aid Payments not Recognized on a GAAP Basis				(115,613)	
Fund Balance per Governmental Funds (GAAP)				\$ 32,915	

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local Sources		\$ 12,800	\$ 12,800	\$ 9,906	\$ (2,894)
State Sources	\$ 79,300	(4,100)	75,200	56,146	(19,054)
Federal Sources	171,553	24,609	196,162	177,701	(18,461)
Total Revenues	<u>\$ 250,853</u>	<u>\$ 33,309</u>	<u>\$ 284,162</u>	<u>\$ 243,753</u>	<u>\$ (40,409)</u>
<b>EXPENDITURES:</b>					
Instruction					
Salaries of Teachers	\$ 154,003	\$ (100,967)	\$ 53,036	\$ 53,013	\$ 23
Other Salaries for Instruction		5,340	5,340	5,340	
Other Purchased Services	70,138	(3,637)	66,501	47,447	19,054
Tuition		87,688	87,688	87,688	
General Supplies		21,742	21,742	16,293	5,449
Textbooks	9,162	(463)	8,699	8,699	
Other Objects		12,800	12,800	9,906	2,894
Total Instruction	<u>233,303</u>	<u>22,503</u>	<u>255,806</u>	<u>228,386</u>	<u>27,420</u>
Support Services					
Purchased Professional - Educational Services		1,000	1,000		1,000
Personal Services - Employee Benefits		12,498	12,498	12,498	
Other Purchased Professional Services		3,476	3,476		3,476
Purchased Professional and Technical Services	17,550	(6,690)	10,860	2,869	7,991
General Supplies		522	522		522
Total Support Services	<u>17,550</u>	<u>10,806</u>	<u>28,356</u>	<u>15,367</u>	<u>12,989</u>
Total Expenditures	<u>\$ 250,853</u>	<u>\$ 33,309</u>	<u>\$ 284,162</u>	<u>\$ 243,753</u>	<u>\$ 40,409</u>

NETCONG BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

Note A - Explanation of Differences between Budgetary Inflows and Outflows and  
GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 4,690,462	\$ 243,753
Difference - Budget to GAAP:		
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(115,613)	
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	<u>114,086</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 4,688,935</u>	<u>\$ 243,753</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 4,601,084</u>	<u>\$ 243,753</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 4,601,084</u>	<u>\$ 243,753</u>

NETCONG BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service funds. The budgets are submitted to the County office and are approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from the GAAP revenue due to a difference in the recognition of the last state aid payments for the current year. Since the State is recording the last state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

NETCONG BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>No Child Left Behind</u>		<u>IDEA Part B</u>		<u>Local Grant</u>
	<u>Title I</u>	<u>Title II Part A</u>	<u>Basic</u>	<u>Preschool</u>	
REVENUE:					
Local Sources					\$ 9,906
State Sources					
Federal Sources	\$ 70,494	\$ 2,869	\$ 98,998	\$ 5,340	
Total Revenue	<u>70,494</u>	<u>2,869</u>	<u>98,998</u>	<u>5,340</u>	<u>9,906</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	53,013				
Other Salaries for Instruction				5,340	
Other Purchased Services					
Tuition			87,688		
General Supplies	4,983		11,310		
Textbooks					
Other Objects					9,906
Total Instruction	<u>57,996</u>		<u>98,998</u>	<u>5,340</u>	<u>9,906</u>
Support Services:					
Personal Services - Employee Benefits	12,498				
Purchased Professional/Technical Services		2,869			
Total Support Services	<u>12,498</u>	<u>2,869</u>			
Total Expenditures	<u>\$ 70,494</u>	<u>\$ 2,869</u>	<u>\$ 98,998</u>	<u>\$ 5,340</u>	<u>\$ 9,906</u>

NETCONG BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Chapter 192 - Nonpublic Auxiliary Services				
	E.S.L	Home Instruction	Compensatory Education	Nonpublic Textbook	Nonpublic Nursing
REVENUE:					
Local Sources					
State Sources	\$ 731	\$ 1,617	\$ 11,287	\$ 8,699	\$ 13,848
Federal Sources					
Total Revenue	<u>731</u>	<u>1,617</u>	<u>11,287</u>	<u>8,699</u>	<u>13,848</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					
Other Salaries for Instruction					
Other Purchased Services	731	1,617	11,287		13,848
Tuition					
General Supplies					
Textbooks				8,699	
Other Objects					
Total Instruction	<u>731</u>	<u>1,617</u>	<u>11,287</u>	<u>8,699</u>	<u>13,848</u>
Support Services:					
Personal Services - Employee Benefits					
Purchased Professional/Technical Services					
Total Support Services					
Total Expenditures	<u>\$ 731</u>	<u>\$ 1,617</u>	<u>\$ 11,287</u>	<u>\$ 8,699</u>	<u>\$ 13,848</u>

NETCONG BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Chapter 193 - Nonpublic Handicapped Services			Total
	Examination/ Classification	Corrective Speech	Supplementary Instruction	
REVENUE:				
Local Sources				\$ 9,906
State Sources	\$ 7,382	\$ 8,658	\$ 3,924	56,146
Federal Sources				177,701
Total Revenue	7,382	8,658	3,924	243,753
EXPENDITURES:				
Instruction:				
Salaries of Teachers				53,013
Other Salaries for Instruction				5,340
Other Purchased Services	7,382	8,658	3,924	47,447
Tuition				87,688
General Supplies				16,293
Textbooks				8,699
Other Objects				9,906
Total Instruction	7,382	8,658	3,924	228,386
Support Services:				
Personal Services - Employee Benefits				12,498
Purchased Professional/Technical Services				2,869
Total Support Services				15,367
Total Expenditures	\$ 7,382	\$ 8,658	\$ 3,924	\$ 243,753

CAPITAL PROJECTS FUND

Exhibit F-1

NETCONG BOROUGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Revenues:	
Interest Earned	\$ 37
Total Revenues	<u>37</u>
Expenditures and Other Financing Uses:	
Purchased Professional and Technical Services	975
Operating Transfer Out - General Fund	<u>37</u>
Total Expenditures and Other Financing Uses	<u>1,012</u>
Excess/(Deficiency) of Revenues	
Over/(Under) Expenditures and Other Financing (Uses)	(975)
Fund Balance - Beginning Balance	<u>254,729</u>
Fund Balance - Ending Balance	<u>\$ 253,754</u>
<u>Recapitulation:</u>	
Restricted	\$ 267,111
Unassigned (Deficit)	<u>(13,357)</u>
Total	<u>\$ 253,754</u>

NETCONG BOROUGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
BOILER REPLACEMENT PROJECT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenues and Other Financing Sources :				
SDA Grant	\$ 156,732		\$ 156,732	\$ 156,732
Lease Purchase Proceeds	125,000		125,000	125,000
Transfer from Capital Reserve	82,776		82,776	96,133
Total Revenues and Other Financing Sources	<u>364,508</u>	<u>- 0 -</u>	<u>364,508</u>	<u>377,865</u>
Expenditures:				
Purchased Professional and Technical Services	62,761		62,761	62,761
Construction Services	315,104		315,104	315,104
Total Expenditures	<u>377,865</u>		<u>377,865</u>	<u>377,865</u>
Excess of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ (13,357)</u>	<u>\$ -0-</u>	<u>\$ (13,357)</u>	<u>\$ - 0 -</u>

**Additional Project Information:**

Project Numbers	3520-060-09-1001
Grant Date	01/15/09
Original Authorized Cost	\$ 386,058
SDA Grant Cancelled	\$ (5,622)
Lease Purchase Cancelled	\$ (15,928)
Revised Authorized Cost	<u>\$ 364,508</u>
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100.00%
Original Target Completion Date	September 2009
Revised Target Completion Date	September 2013

NETCONG BOROUGH SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
RENOVATIONS TO THE NETCONG ELEMENTARY SCHOOL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources:				
SDA Grant	\$ 1,315,950		\$ 1,315,950	\$ 1,315,950
Bond Proceeds	2,027,000		2,027,000	2,027,162
Total Revenues and Other Financing Sources	<u>3,342,950</u>		<u>3,342,950</u>	<u>3,343,112</u>
Expenditures:				
Purchased Professional and Technical Services	411,502	\$ 975	412,477	414,262
Construction Services	2,663,362		2,663,362	2,928,850
Total Expenditures	<u>3,074,864</u>	<u>975</u>	<u>3,075,839</u>	<u>3,343,112</u>
Excess of Revenue and Other Financing Sources Over/Under Expenditures	<u>\$ 268,086</u>	<u>\$ (975)</u>	<u>\$ 267,111</u>	<u>\$ - 0 -</u>

**Additional Project Information:**

Project Number:	3520-090-10-1001, 3520-060-10-1002, and 3520-060-10-1003
Grant Date:	07/23/10
Bond Authorization Date:	09/28/10
Bonds Authorized:	\$ 2,027,162
Bonds Issued:	\$ 2,027,000
Original Authorized Cost:	\$ 3,544,002
SDA Grant Cancelled	<u>\$ (200,890)</u>
Revised Authorized Cost:	<u>\$ 3,343,112</u>
Percentage Increase over Original Authorized Cost:	N/A
Percentage Completion:	92.01%
Original Target Completion Date:	September 1, 2012
Revised Target Completion Date:	June 30, 2017

PROPRIETARY FUNDS

Exhibit G-1

NETCONG BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2015

## ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$	20,572
Intergovernmental Receivable:		
Federal		1,975
State		85
Inventory		932

## Total Current Assets

---

 23,564

## Non-Current Assets:

Capital Assets		23,600
Less: Accumulated Depreciation		(10,126)

## Total Non-Current Assets

---

 13,474

## Total Assets

---

 37,038

## LIABILITIES:

Accounts Payable - Vendors		2,368
Unearned Revenue		381

## Total Current Liabilities

---

 2,749

## Total Liabilities

---

 2,749

## NET POSITION:

Net Investment in Capital Assets		13,474
Unrestricted		20,815

## Total Net Position

---

 \$ 34,289
 

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Exhibit G-2

NETCONG BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating Revenue:	
Charges for Services:	
Daily Sales	\$ 33,638
	<hr/>
Total Operating Revenue	33,638
	<hr/>
Operating Expenses:	
Cost of Sales	47,563
Supplies, Insurance & Other Costs	1,675
Salaries & Benefits	26,411
Payroll Taxes	3,593
Management Fee	7,197
Depreciation Expense	1,573
	<hr/>
Total Operating Expenses	88,012
	<hr/>
Operating Loss	(54,374)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	46,556
School Breakfast Program	9,612
Food Distribution Program	8,242
State Sources:	
State School Lunch Program	1,152
Local Sources:	
Interest Revenue	26
	<hr/>
Total Non-Operating Revenue	65,588
	<hr/>
Change in Net Position Before Special Item	11,214
	<hr/>
Special Item - Cancellation of Intergovernmental Receivable	(315)
	<hr/>
Change in Net Position	10,899
	<hr/>
Net Position - Beginning of Year (Restated)	23,390
	<hr/>
Net Position - End of Year	\$ 34,289
	<hr/> <hr/>

Exhibit G-3

NETCONG BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 37,482
Payments to Employees	(30,004)
Payments to Food Service Vendor	(50,373)
Net Cash Used for Operating Activities	<u>(42,895)</u>
Cash Flows from Investing Activities:	
Interest on Investments	26
Net Cash Provided by Investing Activities	<u>26</u>
Cash Flows from Noncapital Financing Activities:	
Federal Subsidy Reimbursements	57,156
State Subsidy Reimbursements	1,134
Net Cash Provided by Noncapital Financing Activities	<u>58,290</u>
Net Increase in Cash and Cash Equivalents	15,421
Cash and Cash Equivalents, July 1	<u>5,151</u>
Cash and Cash Equivalents, June 30	<u>\$ 20,572</u>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (54,374)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	1,573
Food Distribution Program	8,242
Changes in Assets and Liabilities:	
Decrease in Interfund Receivable	3,844
(Increase) in Inventory	(672)
(Decrease) in Accounts Payable	(1,629)
Increase in Unearned Revenue	121
Net Cash Used for Operating Activities	<u>\$ (42,895)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received \$8,363 and utilized \$8,242 of commodities from the Federal Food Distribution Program for the year ended June 30, 2015.

FIDUCIARY FUNDS

NETCONG BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2015

	Agency		Total
	Student Activity	Payroll	
ASSETS:			
Cash and Cash Equivalents	\$ 20,836	\$ 23	\$ 20,859
Total Assets	<u>20,836</u>	<u>23</u>	<u>20,859</u>
LIABILITIES:			
Interfund Payable		23	23
Due to Student Groups	<u>20,836</u>		<u>20,836</u>
Total Liabilities	<u>\$ 20,836</u>	<u>\$ 23</u>	<u>\$ 20,859</u>

NETCONG BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOT APPLICABLE

Exhibit H-3

NETCONG BOROUGH SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 15,179	\$ 45,031	\$ 39,374	\$ 20,836
Total Assets	<u>\$ 15,179</u>	<u>\$ 45,031</u>	<u>\$ 39,374</u>	<u>\$ 20,836</u>
<b>LIABILITIES:</b>				
Due to Student Groups	\$ 15,179	\$ 45,031	\$ 39,374	\$ 20,836
Total Liabilities	<u>\$ 15,179</u>	<u>\$ 45,031</u>	<u>\$ 39,374</u>	<u>\$ 20,836</u>

NETCONG BOROUGH SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
Netcong Elementary School	<u>\$ 15,179</u>	<u>\$ 45,031</u>	<u>\$ 39,374</u>	<u>\$ 20,836</u>
Total All Schools	<u><u>\$ 15,179</u></u>	<u><u>\$ 45,031</u></u>	<u><u>\$ 39,374</u></u>	<u><u>\$ 20,836</u></u>

Exhibit H-5

NETCONG BOROUGH SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 3,490	\$ 3,328,218	\$ 3,331,685	\$ 23
Total Assets	<u>\$ 3,490</u>	<u>\$ 3,328,218</u>	<u>\$ 3,331,685</u>	<u>\$ 23</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings	\$ 3,490	\$ 1,324,048	\$ 1,327,538	
Interfund Payable		23		\$ 23
Net Salaries and Wages		<u>2,004,147</u>	<u>2,004,147</u>	
Total Liabilities	<u>\$ 3,490</u>	<u>\$ 3,328,218</u>	<u>\$ 3,331,685</u>	<u>\$ 23</u>

LONG-TERM DEBT

NETCONG BOROUGH SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2015		Interest Rate	Balance June 30, 2014	Matured	Balance June 30, 2015
			Date	Amount				
School Bonds	05/12/11	\$ 2,027,000	5/15/2016	\$ 80,000	2.375%			
			5/15/2017	85,000	2.750%			
			5/15/2018	85,000	3.000%			
			5/15/2019	95,000	3.125%			
			5/15/2020	95,000	3.125%			
			5/15/2021	100,000	3.250%			
			5/15/2022	105,000	4.500%			
			5/15/2023	110,000	4.500%			
			5/15/2024	115,000	4.500%			
			5/15/2025	120,000	4.500%			
			5/15/2026	120,000	4.500%			
			5/15/2027	125,000	4.500%			
			5/15/2028	125,000	4.500%			
			5/15/2029	130,000	4.500%			
			5/15/2030	130,000	4.500%			
			5/15/2031	127,000	4.500%			
					\$ 1,822,000	\$ 75,000	\$ 1,747,000	
					<u>\$ 1,822,000</u>	<u>\$ 75,000</u>	<u>\$ 1,747,000</u>	

Exhibit I-2

NETCONG BOROUGH SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2014</u>	<u>Matured</u>	<u>Balance June 30, 2015</u>
Boiler Replacement	4.50%	\$ 125,000	\$ 27,248	\$ 27,248	\$ - 0 -
			<u>\$ 27,248</u>	<u>\$ 27,248</u>	<u>\$ - 0 -</u>

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 146,978		\$ 146,978	\$ 146,978	
Total Revenues	<u>146,978</u>		<u>146,978</u>	<u>146,978</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	71,978		71,978	71,978	
Redemption of Principal	75,000		75,000	75,000	
Total Regular Debt Service	<u>146,978</u>		<u>146,978</u>	<u>146,978</u>	
Total Expenditures	<u>146,978</u>		<u>146,978</u>	<u>146,978</u>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	- 0 -	\$ - 0 -	- 0 -	- 0 -	\$ - 0 -
Fund Balance, July 1	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Fund Balance, June 30	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

STATISTICAL SECTION

**STATISTICAL SECTION**  
**(UNAUDITED)**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

**Contents**

	<b><u>Exhibit</u></b>
<p><b>Financial Trends</b></p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p><b>Revenue Capacity</b></p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p><b>Debt Capacity</b></p> <p>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p><b>Demographic and Economic Information</b></p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p><b>Operating Information</b></p> <p>These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.</p>	J-16 thru J-20

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

NETCONG BOROUGH SCHOOL DISTRICT  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015
<b>Governmental Activities:</b>										
Net Investment in Capital										
Assets	\$ 1,314,824	\$ 1,443,594	\$ 1,386,165	\$ 1,369,758	\$ 1,565,309	\$ (1,347)	\$ 2,391,653	\$ 2,507,424	\$ 2,648,217	\$ 2,702,388
Restricted	261,869	95,988	44,578	510,150	12,626	1,814,214	348,805	441,199	275,024	274,064
Unrestricted/(Deficit)	(27,395)	72,796	106,647	(90,507)	36,649	97,739	(643,303)	(17,392)	(600,959)	(556,810)
<b>Total Governmental Activities</b>	<b>\$ 1,549,298</b>	<b>\$ 1,612,378</b>	<b>\$ 1,537,390</b>	<b>\$ 1,789,401</b>	<b>\$ 1,614,584</b>	<b>\$ 1,910,606</b>	<b>\$ 2,097,155</b>	<b>\$ 2,931,231</b>	<b>\$ 2,322,282</b>	<b>\$ 2,419,642</b>
<b>Business-type Activities:</b>										
Net Investment in Capital										
Assets	\$ 1,924	\$ 1,694	\$ 1,464	\$ 2,909	\$ 2,539	\$ 5,119	\$ 31,084	\$ 27,277	\$ 15,047	\$ 13,474
Unrestricted	12,651	10,564	11,737	16,484	8,091	8,757	6,266	4,266	8,343	20,815
<b>Total Business-Type Activities</b>	<b>\$ 14,575</b>	<b>\$ 12,258</b>	<b>\$ 13,201</b>	<b>\$ 19,393</b>	<b>\$ 10,630</b>	<b>\$ 13,876</b>	<b>\$ 37,350</b>	<b>\$ 31,543</b>	<b>\$ 23,390</b>	<b>\$ 34,289</b>
<b>District-Wide:</b>										
Net Investment in Capital Assets	\$ 1,316,748	\$ 1,445,288	\$ 1,387,629	\$ 1,372,667	\$ 1,567,848	\$ 3,772	\$ 2,422,737	\$ 2,534,701	\$ 2,663,264	\$ 2,715,862
Restricted	261,869	95,988	44,578	510,150	12,626	1,814,214	348,805	441,199	275,024	274,064
Unrestricted/(Deficit)	(14,744)	83,360	118,384	(74,023)	44,740	106,496	(637,037)	(13,126)	(592,616)	(535,995)
<b>Total District-Wide Net Position</b>	<b>\$ 1,563,873</b>	<b>\$ 1,624,636</b>	<b>\$ 1,550,591</b>	<b>\$ 1,808,794</b>	<b>\$ 1,625,214</b>	<b>\$ 1,924,482</b>	<b>\$ 2,134,505</b>	<b>\$ 2,962,774</b>	<b>\$ 2,345,672</b>	<b>\$ 2,453,931</b>

\* Restated

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$2,198,141	\$2,211,072	\$2,216,848	\$2,152,490	\$2,180,516	\$2,108,316	\$2,365,805	\$2,564,121	\$2,380,418	\$2,626,959
Special Education	516,867	685,686	761,135	740,473	723,124	833,346	685,609	791,797	845,519	952,443
Other Instruction	109,824	111,639	123,526	127,915	142,052	51,099	36,689	90,223	39,858	26,619
School Sponsored Instruction							35,263	28,581	7,759	48,477
Support Services:										
Tuition	5,488	2,526	4,508	71,737	11,576	61,629	42,550	6,546	32,657	20,112
Student/Instruction-Related Services	412,849	454,973	449,480	454,521	499,572	430,902	372,350	445,388	569,201	689,163
General Administrative Services	349,931	331,466	287,639	286,479	302,516	285,703	135,467	185,961	244,124	183,244
School Administrative Services	99,501	109,290	106,015	122,394	122,261	129,509	151,594	157,953	162,369	291,622
Central Services							117,723	118,437	186,502	129,624
Admin. Information Technology							8,012	15,697	13,324	17,054
Plant Operations and Maintenance	361,122	359,914	379,865	393,255	409,875	275,380	287,218	313,484	307,377	294,087
Pupil Transportation	43,678	36,517	28,745	55,873	54,437	55,140	29,545	59,966	110,835	68,324
Unallocated Depreciation							32,558	31,939	31,939	39,599
Capital Outlay							10,063	24,952	82,166	31,939
Interest on Long-Term Debt						8,989	74,652	74,931	73,356	71,767
Total Governmental Activities	<u>4,107,701</u>	<u>4,311,089</u>	<u>4,357,761</u>	<u>4,405,137</u>	<u>4,445,929</u>	<u>4,240,013</u>	<u>4,385,098</u>	<u>4,909,976</u>	<u>5,087,404</u>	<u>5,491,033</u>
Business-Type Activities:										
Food Service	72,901	77,636	78,920	76,316	79,596	78,818	83,889	88,367	91,532	88,012
After Care Program				22,228	8,313					
Total Business-Type Activities	<u>72,901</u>	<u>77,636</u>	<u>78,920</u>	<u>98,544</u>	<u>87,909</u>	<u>78,818</u>	<u>83,889</u>	<u>88,367</u>	<u>91,532</u>	<u>88,012</u>
Total District-wide Expenses	<u>4,180,602</u>	<u>4,388,725</u>	<u>4,436,681</u>	<u>4,503,681</u>	<u>4,533,838</u>	<u>4,318,831</u>	<u>4,468,987</u>	<u>4,998,343</u>	<u>5,178,936</u>	<u>5,579,045</u>
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)										56,107
Operating Grants and Contributions	810,592	989,940	998,343	630,004	941,538	935,539	1,614,389	862,230	973,626	1,543,717
Total Governmental Activities	<u>810,592</u>	<u>989,940</u>	<u>998,343</u>	<u>630,004</u>	<u>941,538</u>	<u>935,539</u>	<u>1,614,389</u>	<u>862,230</u>	<u>973,626</u>	<u>1,599,824</u>

NETCONG BOROUGH SCHOOL DISTRICT  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues:										
Business-type Activities:										
Charges for Services:										
Food Service	\$ 54,012	\$ 47,932	\$ 49,069	\$ 45,524	\$ 37,898	\$ 40,902	\$ 34,263	\$ 31,239	\$ 28,949	\$ 33,638
Child Care				28,331	5,289					
Operating Grants and Contributions	22,640	26,761	30,484	30,449	39,271	41,136	46,227	51,302	62,844	65,562
Total Business-Type Activities	76,652	74,693	79,553	104,304	82,458	82,038	80,490	82,541	91,793	99,200
Total District-wide Program Revenues	887,244	1,064,633	1,077,896	734,308	1,023,996	1,017,577	1,694,879	944,771	1,065,419	1,699,024
Net (Expense)/Revenue:										
Governmental Activities	(3,297,109)	(3,321,149)	(3,359,418)	(3,775,133)	(3,504,391)	(3,304,474)	(2,770,709)	(4,047,746)	(4,113,778)	(3,891,209)
Business-Type Activities	3,751	(2,943)	633	5,760	(5,451)	3,220	(3,399)	(5,826)	261	11,188
Total District-Wide Net (Expense)/Revenue	(3,293,358)	(3,324,092)	(3,358,785)	(3,769,373)	(3,509,842)	(3,301,254)	(2,774,108)	(4,053,572)	(4,113,517)	(3,880,021)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	2,555,346	2,713,134	2,635,485	2,635,485	2,635,485	2,718,432	2,718,432	2,718,432	2,745,616	2,904,108
Taxes Levied for Debt Service							139,250	145,128	143,553	146,978
Federal and State Aid not Restricted	613,852	598,693	621,578	1,153,676	932,374	760,595	96,099	1,956,081	1,112,705	876,881
N.J. E.D.A. Grants		(11,958)								
Tuition Charges				4,150	6,000	20,154				
Investment Earnings	22,716	22,955	12,833	4,816	2,742	1,804	2	2		52
Miscellaneous Income	10,995	14,063	14,589	229,018	3,204	99,510	68,372	62,179	18,009	60,550
Prior Year Adj. - Reallocate Expenditures					(40,229)					
Transfers		47,345			(210,000)					
Total Governmental Activities	3,202,909	3,384,232	3,284,485	4,027,145	3,329,576	3,600,495	3,022,155	4,881,822	4,019,883	3,988,569

NETCONG BOROUGH SCHOOL DISTRICT  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position:										
Business-Type Activities:										
Investment Earnings	\$ 320	\$ 626	\$ 310	\$ 150	\$ 80	\$ 32	\$ 50	\$ 18	\$ 9	\$ 26
Miscellaneous Income					(3,393)	(4)				
Special Item - Cancellation of Prior Year Receivable										(315)
Total Business-type Activities	320	626	310	150	(3,313)	28	50	18	9	(289)
Total District-wide General Revenues and Other Changes in Net Position	3,203,229	3,384,858	3,284,795	4,027,295	3,326,263	3,600,523	3,022,205	4,881,840	4,019,892	3,988,280
Change in Net Position:										
Governmental Activities	(94,200)	63,083	(74,933)	252,012	(174,815)	296,021	251,446	834,076	(93,895)	97,360
Business-Type Activities	4,071	(2,317)	943	5,910	(8,764)	3,248	(3,349)	(5,808)	270	10,899
Total District-Wide Change in Net Position	\$ (90,129)	\$ 60,766	\$ (73,990)	\$ 257,922	\$ (183,579)	\$ 299,269	\$ 248,097	\$ 828,268	\$ (93,625)	\$ 108,259

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT  
FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Fund:</b>										
Reserved	\$ 197,262	\$ 95,988	\$ 46,466	\$ 147,554						
Unreserved (Deficit)	68,463	158,206	192,283	(4,381)	\$ 132,584	\$ 203,905				
Restricted					4,693	226,557	\$ 348,805	\$ 224,204	\$ 6,938	\$ 6,953
Assigned							76,590	30,150		8,400
Unassigned/(Deficit)							162,374	64,562	(61,874)	17,562
<b>Total General Fund</b>	<b>\$ 265,725</b>	<b>\$ 254,194</b>	<b>\$ 238,749</b>	<b>\$ 143,173</b>	<b>\$ 137,277</b>	<b>\$ 430,462</b>	<b>\$ 587,769</b>	<b>\$ 318,916</b>	<b>\$ (54,936)</b>	<b>\$ 32,915</b>
<b>All Other Governmental Funds:</b>										
Reserved	\$ 1,555									
Unreserved (Deficit):										
Special Revenue Fund	(366)		\$ (1,888)							
Capital Projects Fund	63,419			\$ 362,596	\$ 7,932					
Restricted						\$ 1,587,657		\$ 216,995	\$ 254,729	\$ 267,111
Committed								2,571		
Unassigned (Deficit)							\$ (800,781)			\$ (13,357)
<b>Total All Other Governmental Funds</b>	<b>\$ 64,608</b>	<b>\$ - 0 -</b>	<b>\$ (1,888)</b>	<b>\$ 362,596</b>	<b>\$ 7,932</b>	<b>\$ 1,587,657</b>	<b>\$ (800,781)</b>	<b>\$ 219,566</b>	<b>\$ 254,729</b>	<b>\$ 253,754</b>
<b>Total All Governmental Funds:</b>										
Reserved	\$ 198,817	\$ 95,988	\$ 46,466	\$ 147,554						
Unreserved	131,516	158,206	190,395	358,215	\$ 140,516	\$ 203,905				
Restricted						1,814,214	\$ 348,805	\$ 441,199	\$ 261,667	\$ 274,064
Committed								2,571		
Assigned							76,590	30,150		8,400
Unassigned/(Deficit)							(638,407)	64,562	(61,874)	4,205
<b>Total All Governmental Funds</b>	<b>\$ 330,333</b>	<b>\$ 254,194</b>	<b>\$ 236,861</b>	<b>\$ 505,769</b>	<b>\$ 140,516</b>	<b>\$ 2,018,119</b>	<b>\$ (213,012)</b>	<b>\$ 538,482</b>	<b>\$ 199,793</b>	<b>\$ 286,669</b>

NETCONG BOROUGH SCHOOL DISTRICT  
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues:</b>										
Tax Levy	\$ 2,555,346	\$ 2,713,134	\$ 2,635,485	\$ 2,635,485	\$ 2,635,485	\$ 2,718,432	\$ 2,857,682	\$ 2,863,560	\$ 2,889,169	\$ 3,051,086
Tuition Charges				4,150	6,000	20,154	17,750	19,938	14,090	56,107
Interest Earnings	22,716	22,955	12,833	4,816	2,742	1,804	2	2		15
Miscellaneous	10,995	17,537	14,589	229,018	3,204	99,510	50,622	42,241	3,919	70,493
State Sources	1,304,068	1,460,073	1,493,281	1,597,203	1,518,906	1,425,653	1,513,503	2,665,195	1,870,269	1,724,301
Federal Sources	120,376	125,087	126,639	186,477	355,007	270,481	196,985	153,116	216,062	177,701
<b>Total Revenues</b>	<b>4,013,501</b>	<b>4,338,786</b>	<b>4,282,827</b>	<b>4,657,149</b>	<b>4,521,344</b>	<b>4,536,034</b>	<b>4,636,544</b>	<b>5,744,052</b>	<b>4,993,509</b>	<b>5,079,703</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular Instruction	1,650,770	1,561,043	1,546,032	1,598,493	1,632,884	1,570,834	1,755,785	1,785,452	1,720,370	1,662,302
Special Education Instruction	400,990	547,171	617,150	619,800	586,264	677,183	528,134	578,729	624,277	621,296
Other Instruction	82,421	89,206	105,292	115,125	122,984	46,046	29,531	63,380	27,741	21,416
School Sponsored Instruction							30,552	20,406	6,671	24,406
<b>Support Services:</b>										
Tuition	5,488	2,526	4,508	71,737	11,576	61,629	42,550	6,546	32,657	20,112
Student & Instruction-Related	340,573	362,911	330,117	350,086	393,294	340,212	333,489	376,678	471,406	478,162
General Administration	273,107	267,292	230,966	233,386	234,904	218,663	120,142	163,212	211,739	143,423
School Administration	71,732	73,946	83,579	83,245	90,032	86,971	104,294	109,645	111,538	178,267
Central Services							121,973	118,460	183,588	107,089
Administrative Information Technology							8,012	15,697	13,324	17,054
Plant Operations and Maintenance	318,284	311,194	321,779	330,814	355,928	236,224	278,434	281,872	281,070	247,031
Pupil Transportation	43,678	36,517	28,745	55,873	54,437	55,140	29,545	59,966	110,835	68,324
Allocated Benefits							496,991	83,839		
Unallocated Benefits	799,026	958,400	1,022,591	890,285	910,674	916,584	432,668	1,095,283	1,124,213	1,224,053

NETCONG BOROUGH SCHOOL DISTRICT  
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenditures:										
Special Schools	\$ 10,300	\$ 8,006								
Capital Outlay	78,421	232,100	\$ 9,400	\$ 39,399	\$ 363,696	\$ 480,639	\$ 2,419,260	\$ 85,330	\$ 269,215	\$ 32,914
Debt Service:										
Principal							65,000	70,000	70,000	75,000
Interest and Other Charges							74,250	75,128	73,553	71,978
<b>Total Expenditures</b>	<b>4,074,790</b>	<b>4,450,312</b>	<b>4,300,159</b>	<b>4,388,243</b>	<b>4,756,673</b>	<b>4,690,125</b>	<b>6,870,610</b>	<b>4,989,623</b>	<b>5,332,197</b>	<b>4,992,827</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(61,289)	(111,526)	(17,332)	268,906	(235,329)	(154,091)	(2,234,066)	754,429	(338,688)	86,876
Other Financing Sources (Uses)										
Bond Proceeds						2,027,000				
NJEDA Grants		(11,958)								
P/Y Adjustment - Expenditures					(40,229)					
Transfers In	150,000	87,565			3					
Transfers Out	(150,000)	(40,221)			(85,003)					
<b>Total Other Financing Sources (Uses)</b>		<b>35,386</b>			<b>(125,229)</b>	<b>2,027,000</b>				
<b>Net Change in Fund Balances</b>	<b>\$ (61,289)</b>	<b>\$ (76,140)</b>	<b>\$ (17,332)</b>	<b>\$ 268,906</b>	<b>\$ (360,558)</b>	<b>\$ 1,872,909</b>	<b>\$ (2,234,066)</b>	<b>\$ 754,429</b>	<b>\$ (338,688)</b>	<b>\$ 86,876</b>
Debt Service as a Percentage of Noncapital Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.2%	3.0%	2.9%	3.1%

Source: Netcong Borough School District Financial Reports.

Exhibit J-5

NETCONG BOROUGH SCHOOL DISTRICT  
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Tuition</u>	<u>Interest on</u> <u>Investments</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2006		\$ 22,716		\$ 10,995	\$ 33,711
2007		22,955		14,063	37,018
2008	\$ 4,500	12,833		8,539	25,872
2009	4,150	4,634	\$ 3,090		11,874
2010	6,000	2,742		3,204	11,946
2011	20,154	1,804		91,166 *	113,124
2012	17,750	1,297	11,475	20,102	50,624
2013	19,938	580	26,079	15,584	62,181
2014	14,090			19,847	33,937
2015	56,107	950		59,615	116,672

\* - Includes \$57,557 of employee contributions for health insurance premiums.

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN YEARS  
UNAUDITED

Year Ended Dec. 31,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax	Estimated Actual (County Equalized Value)
2005	\$ 2,536,700	\$ 117,883,500	\$ 24,191,100	\$ 11,034,300	\$ 20,575,300	\$ 176,220,900	\$ 2,300,929	\$ 178,521,829	\$ 10,224,500	1.310	\$264,940,372
2006*	6,204,500	240,251,700	43,753,700	21,202,500	32,118,300	343,530,700	3,404,862	346,935,562	20,827,100	0.737	296,693,704
2007	6,504,500	239,878,700	43,595,500	21,202,500	32,118,300	343,299,500	3,063,631	346,363,131	20,827,100	0.783	327,168,674
2008	6,520,600	240,262,300	44,059,600	20,396,900	27,085,700	338,325,100	3,132,783	341,457,883	20,644,400	0.772	332,550,953
2009	6,240,200	240,485,300	43,745,600	20,196,900	27,085,700	337,753,700	3,159,554	340,913,254	20,966,400	0.773	342,948,236
2010	6,002,600	240,302,400	43,259,800	18,796,900	25,781,800	334,143,500	3,085,763	337,229,263	21,259,300	0.782	318,940,713
2011	5,892,600	240,069,800	43,115,700	18,746,800	25,781,800	333,606,700	3,043,835	336,650,535	21,583,300	0.849	321,029,391
2012	5,892,600	239,449,400	43,109,000	18,746,800	25,781,800	332,979,600	3,117,096	336,096,696	21,567,700	0.852	303,147,024
2013	6,072,900	238,253,100	42,694,000	17,413,500	25,781,800	330,215,300		330,215,300	21,735,000	0.875	273,815,716
2014	6,000,500	237,191,500	42,855,300	17,413,500	25,781,800	329,242,600		329,242,600	21,735,000	0.927	276,798,948

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation. Reassessment occurs when ordered by the County Board of Taxation.

\* - Revaluation became effective.

a - Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

b - Tax rates are per \$100 of assessed valuation.

Source: Netcong Borough Tax Assessor.

NETCONG BOROUGH SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
UNAUDITED  
*(Rate per \$100 of Assessed Value)*

Year Ended December 31,	Borough of Netcong School District Direct Rate			Overlapping Rates			
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Netcong Borough	Regional High School	Morris County	Total Direct
2005	\$ 1.310		\$ 1.310	\$ 0.905	\$ 0.934	\$ 0.395	\$ 3.544
2006*	0.737		0.737	0.504	0.461	0.214	1.916
2007	0.783		0.783	0.565	0.439	0.225	2.012
2008	0.772		0.772	0.630	0.455	0.226	2.083
2009	0.773		0.773	0.656	0.447	0.231	2.107
2010	0.782		0.782	0.681	0.484	0.216	2.163
2011	0.807	\$ 0.041	0.849	0.701	0.461	0.225	2.236
2012	0.809	0.043	0.852	0.714	0.470	0.221	2.257
2013	0.831	0.043	0.875	0.738	0.536	0.208	2.357
2014	0.882	0.045	0.927	0.756	0.473	0.215	2.371

Note: NJSA 18A:7F-5d limits the amount that the District can submit for a General Fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

\* - Revaluation became effective.

a - The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b - Rates for debt service are based on each year's requirements.

Source: Netcong Borough Tax Collector and School Business Administrator.

NETCONG BOROUGH SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

<u>Taxpayer</u>	<u>2015</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
Netcong Heights	\$ 16,768,084	1	5.09%
Dowel-Netcong, LLC	6,005,314	2	1.82%
Sempre Development Group, LLC	2,729,688	3	0.83%
Individual Taypayer #1	2,469,978	4	0.75%
Netcong 201 LLC Morris Canal Plaza	2,185,944	5	0.66%
US Mineral Wool Products	2,093,192	6	0.64%
Individual Taypayer #2	1,959,994	7	0.60%
Quirk Realty, LLC	1,913,674	8	0.58%
Bell Atlantic-NJ	1,612,841	9	0.49%
Mark Appraisals, LLC	1,334,047	10	0.41%
Total	<u>\$ 39,072,757</u>		<u>11.87%</u>

<u>Taxpayer</u>	<u>2006</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
INFORMATION IS NOT AVAILABLE			

Source: Netcong Borough Tax Assessor.

NETCONG BOROUGH SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS,  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 2,338,068	\$ 2,338,068	100.00%	\$ - 0 -
2007	2,555,346	2,555,346	100.00%	- 0 -
2008	2,713,134	2,713,134	100.00%	- 0 -
2009	2,635,485	2,635,485	100.00%	- 0 -
2010	2,635,485	2,635,485	100.00%	- 0 -
2011	2,635,485	2,635,485	100.00%	- 0 -
2012	2,857,682	2,857,682	100.00%	- 0 -
2013	2,863,560	2,863,560	100.00%	- 0 -
2014	2,889,169	2,889,169	100.00%	- 0 -
2015	3,051,086	3,051,086	100.00%	- 0 -

a - School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Source: Netcong Borough School District records, including the Certificate and Report of School Taxes (A4F form).

NETCONG BOROUGH SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases				
2006	\$ - 0 -	\$ - 0 -	\$ - 0 -	0.00%	\$ - 0 -	
2007	- 0 -	- 0 -	- 0 -	0.00%	- 0 -	
2008	- 0 -	- 0 -	- 0 -	0.00%	- 0 -	
2009	- 0 -	- 0 -	- 0 -	0.00%	- 0 -	
2010	- 0 -	125,000	125,000	0.06%	38.65	
2011	2,027,000	102,151	2,129,151	0.91%	655.12	
2012	1,962,000	78,274	2,040,274	0.84%	624.32	
2013	1,892,000	53,322	1,945,322	0.80%	597.27	
2014	1,822,000	27,248	1,849,248	0.76%	568.30	
2015	1,747,000	- 0 -	1,747,000	0.72%	536.88	

a - See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2006	\$ - 0 -	\$ - 0 -	\$ - 0 -	0.000%	\$ - 0 -
2007	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2008	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2009	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2010	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2011	2,027,000	- 0 -	2,027,000	0.601%	623.69
2012	1,962,000	- 0 -	1,962,000	0.583%	600.37
2013	1,892,000	- 0 -	1,892,000	0.563%	580.90
2014	1,822,000	- 0 -	1,822,000	0.552%	559.93
2015	1,747,000	- 0 -	1,747,000	0.531%	536.88

a - See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

b - See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

Exhibit J-12

NETCONG BOROUGH SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2014  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Netcong	\$ 1,127,483	100.00%	\$ 1,127,483
Morris County General Obligation Debt	235,116,780	0.31%	<u>720,370</u>
Subtotal, Overlapping Debt			1,847,853
Netcong Borough School District Direct Debt			<u>1,822,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 3,669,853</u></u>

a - For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the District's boundaries and dividing it by each unit's total equalized property value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by residents and businesses of Netcong. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

Sources: Assessed value data used to estimate applicable percentages provided by the Morris County Board of Taxation; debt outstanding data provided by each governmental unit.

NETCONG BOROUGH SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 6,168,628	\$ 8,801,876	\$ 9,527,135	\$ 10,014,232	\$ 9,740,546	\$ 9,709,801	\$ 9,314,227	\$ 8,886,748	\$ 8,482,307	\$ 8,064,740
Total Net Debt Applicable to Limit						2,152,162	1,962,000	1,892,000	1,822,000	1,747,000
Legal Debt Margin	<u>\$ 6,168,628</u>	<u>\$ 8,801,876</u>	<u>\$ 9,527,135</u>	<u>\$ 10,014,232</u>	<u>\$ 9,740,546</u>	<u>\$ 7,557,639</u>	<u>\$ 7,352,227</u>	<u>\$ 6,994,748</u>	<u>\$ 6,660,307</u>	<u>\$ 6,317,740</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	22.16%	21.06%	21.29%	21.48%	21.66%

Legal Debt Margin Calculation for Fiscal Year 2015

Equalized valuation basis	
2014	\$ 256,639,333
2013	275,799,967
2012	274,034,730
	<u>\$ 806,474,030</u>
Average Equalized Valuation of Taxable Property	<u>\$ 268,824,677</u>
Debt Limit (3% of average equalization value) <sup>a</sup>	\$ 8,064,740
Net Bonded School Debt as of June 30, 2015	1,747,000
Legal Debt Margin	<u>\$ 6,317,740</u>

<sup>a</sup> Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts.

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.

Exhibit J-14

NETCONG BOROUGH SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Year	Population <sup>a</sup>	Morris County Per Capita Income <sup>b</sup>	Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2006	3,224	\$ 66,827	\$ 215,450,248	3.30%
2007	3,210	69,900	224,379,000	3.00%
2008	3,207	71,990	230,871,930	3.90%
2009	3,211	67,544	216,883,784	6.70%
2010	3,234	68,725	222,256,650	6.80%
2011	3,250	71,933	233,782,250	6.60%
2012	3,268	74,057	242,018,276	6.80%
2013	3,257	75,054	244,450,878	7.10%
2014	3,254	75,054 **	244,225,716	4.20%
2015	3,254 *	75,054 **	244,225,716 ***	N/A

\* - Latest population data available (2014) was used for calculation purposes.

\*\* - Latest Morris County per capita personal income available (2013) was used for calculation purposes.

\*\*\* - Latest population data available (2014) and latest Morris County per capita personal income (2013) was used for calculation purposes.

N/A - Not Available

Sources:

a - Population information provided by the US Department of Census - Population Division.

b - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

c - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

d - Unemployment data provided by the NJ Department of Labor and Workforce Development.

NETCONG BOROUGH SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS - COUNTY OF MORRIS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

<u>2014</u>			<u>2005</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
U.S. Army Armament Research and Development	6,090	2.41%	Novartis Corporation	5,631	2.17%
Atlantic Health System	4,844	1.91%	U.S. Army Armament Res	3,939	1.52%
Novartis Corporation	4,749	1.88%	Atlantic Health System	3,667	1.42%
Bayer Healthcare, LLC	2,665	1.05%	Cendant Corp.	3,006	1.16%
St. Clare's	1,756	0.69%	Lucent Technologies	2,539	0.98%
County of Morris	1,667	0.66%	County of Morris	2,268	0.88%
Accenture	1,621	0.64%	Pfizer	2,250	0.87%
Wyndham Worldwide Corporation	1,546	0.61%	St. Clare's Health Systems	2,128	0.82%
BASF Corporation	1,500	0.59%	Automatic Data Processin	1,950	0.75%
Greystone Psychiatric Center	1,244	0.49%	Greystone Psychiatric	1,212	0.47%
	<u>27,682</u>	<u>10.93%</u>		<u>28,590</u>	<u>11.03%</u>
Total Employment*	<u>253,222</u>		Total Employment *	<u>259,100</u>	

\* - Employment data provided by the NJ Department of Labor and Workforce development.

Source: Morris County Economic Development Corporation

NETCONG BOROUGH SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction:										
Regular	23.0	23.0	24.0	24.0	23.0	24.0	24.0	24.0	24.0	23.0
Special Education	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Support Services:										
Student & Instruction Related Services	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	9.0	5.0
General Administrative Services	1.0	1.0	1.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0
School Administrative Services	3.0	3.0	3.0	3.0	3.0	3.0	2.0	3.0	3.0	3.0
Central Services	2.0	2.0	1.0				1.0	1.0	2.0	2.0
Plant Operations and Maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>	<u>49.0</u>	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>	<u>48.0</u>	<u>43.0</u>

Source: Netcong Borough School District Personnel Records.

NETCONG BOROUGH SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2006	288.0	\$ 3,693,006	\$ 12,823	2.35%	32.0	1:12	1:15	279.0	265.0	0.36%	94.98%
2007	282.0	4,218,211	14,958	16.65%	32.0	1:10	1:11	282.0	267.0	1.08%	94.68%
2008	280.0	4,290,760	15,324	2.45%	33.0	1:10	1:11	280.0	262.0	-0.71%	93.57%
2009	305.0	4,348,843	14,259	-6.95%	32.0	1:12	1:11	297.0	279.0	6.07%	93.94%
2010	291.0	4,392,978	15,096	5.87%	32.0	1:12	1:11	284.0	267.0	-4.38%	94.01%
2011	286.0	4,209,486	14,718	-2.50%	32.0	1:12	1:11	285.0	270.0	0.35%	94.74%
2012	284.0	4,312,100	15,183	3.16%	32.0	1:12	1:11	284.4	267.5	-0.21%	94.06%
2013	308.0	4,759,165	15,452	1.77%	32.0	1:12	1:11	308.5	272.0	8.47%	88.17%
2014	303.0	4,919,429	16,236	5.07%	32.0	1:12	1:11	299.0	281.0	-3.08%	93.98%
2015	296.0	4,812,935	16,260	0.15%	32.0	1:15	1:16	292.0	279.0	-2.34%	95.55%

Note: Enrollment based on annual October District count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

Source: Netcong Borough School District Records.

NETCONG BOROUGH SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>District Building</u>										
Netcong Elementary (1926)										
Square Feet	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135
Capacity (students)	310	310	310	310	310	310	310	310	310	310
Enrollment	288	282	280	305	291	286	284	308	303	296

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October District count.

Source: Netcong Borough School District Records.

Exhibit J-19

NETCONG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST TEN FISCAL YEARS  
UNAUDITED

Undistributed Expenditures - Required Maintenance  
 For School Facilities - Account #11-000-261-XXX:

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Netcong Elementary Board Office	N/A	\$ 58,493	\$ 46,037	\$ 38,950 6,985	\$ 50,610	\$ 43,287
Grand Total		<u>\$ 58,493</u>	<u>\$ 46,037</u>	<u>\$ 52,619</u>	<u>\$ 50,610</u>	<u>\$ 43,287</u>

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Netcong Elementary Board Office	N/A	\$ 39,280	\$ 40,901	\$ 59,242	\$ 88,159	\$ 57,738
Grand Total		<u>\$ 39,280</u>	<u>\$ 40,901</u>	<u>\$ 59,242</u>	<u>\$ 88,159</u>	<u>\$ 57,738</u>

\* - School facilities as defined under EFCFA (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3).

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2015  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
<b>Commercial Package - NJSIG:</b>		
Property - Blanket Building and Contents	\$ 350,000,000	\$ 1,000
Accounts Receivable	(Per Occurrence) 250,000	1,000
Automobile Physical Damage	In Blanket Limit	1,000
Electronic Data Processing Equipment	(Per Occurrence) 475,000	1,000
<b>Comprehensive General Liability - NJSIG:</b>		
Occurrence Limit	16,000,000	None
Automobile	(Per Accident) 16,000,000	None
Employee Benefit Liability	16,000,000	1,000
<b>Workers' Compensation - NJSIG:</b>		
Statutory Benefits	Included	
Employer's Liability	2,000,000	
Supplemental Coverage	Included	
<b>Umbrella Liability - NJSIG:</b>		
Catastrophe Excess Liability Aggregate Limit	Included in Limit	
<b>School Board Legal Liability - NJSIG:</b>		
Directors' and Officers' Policy Limit Each Loss	(Per Policy Period) 16,000,000	5,000
<b>Crime - NJSIG:</b>		
Blanket Employee Dishonesty	100,000	500
(Per Loss Member Aggregate Limit)	50,000	
Forgery	50,000	500
<b>Theft/Disappearance/Destruction:</b>		
Inside	50,000	500
Outside	50,000	500
<b>Public Official Bonds - RLI Insurance Company:</b>		
Treasurer	175,000	
School Business Administrator/Board Secretary	175,000	

Source: Netcong Borough School District Financial Reports.

SINGLE AUDIT SECTION



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax  
 Lawrence Business Center  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

Report on Internal Control Over Financial Reporting and  
 on Compliance and Other Matters Based on an Audit of Financial Statements  
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education of the  
 Netcong Borough School District  
 County of Morris, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Netcong Borough School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 24, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

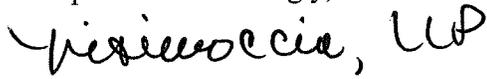
The Honorable President and Members  
of the Board of Education of the  
Netcong Borough School District  
Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

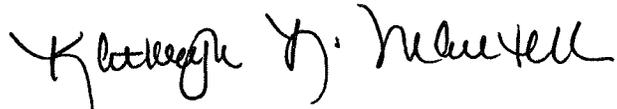
**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



NISIVOCCIA LLP

November 24, 2015  
Mount Arlington, New Jersey



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Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant



Mount Arlington Corporate Center  
 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center  
 11 Lawrence Road  
 Newton, NJ 07860  
 973-383-6699 | 973-383-6555 Fax

Report on Compliance For Each Major State Program;  
 Report on Internal Control Over Compliance Required by OMB Circular A-133  
 and New Jersey's OMB Circulars 04-04 and 15-08

Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education of the  
 Netcong Borough School District  
 County of Morris, New Jersey

**Report on Compliance for Each Major State Program**

We have audited the Board of Education of the Netcong Borough School District's (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2015. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal and State Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2015.

The Honorable President and Members  
of the Board of Education  
Netcong Borough School District  
Page 2

### Report on Internal Control Over Compliance

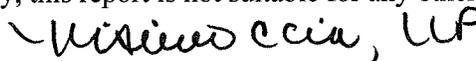
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04 and 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

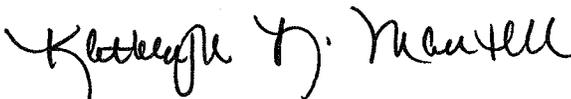
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 or NJOMB 04-04 and 15-08. Accordingly, this report is not suitable for any other purpose.

November 24, 2015  
Mount Arlington, New Jersey



NISIVOCIA LLP



Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant

NETCONG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2014		Adjust- ments	Cash Received	Budgetary Expenditures	Paid to Grantor	Balance at June 30, 2015	
			From	To		Budgetary (Accounts Receivable)/ Unearned Revenue	Unearned Revenue					Budgetary (Accounts Receivable)	Budgetary Unearned Revenue
U.S. Department of Education Passed-through State Department of Education:													
Special Revenue Fund:													
Special Education Cluster:													
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3520-15	7/1/14	6/30/15	\$ 103,305				\$ 97,075	\$ (98,998)		\$ (1,923)	
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3520-14	7/1/13	6/30/14	97,871	\$ (19,736)	\$ (7,859)		27,595				
I.D.E.A. Part B, Preschool	84.172	IDEA-3520-15	7/1/14	6/30/15	5,340				5,340	(5,340)			
I.D.E.A. Part B, Preschool	84.172	IDEA-3520-14	7/1/13	6/30/14	5,334	(2,739)			2,739				
I.D.E.A. Part B, Preschool	84.172	IDEA-3520-13	9/1/12	8/31/13	5,514	(1,313)			1,313				
Total Special Education Cluster						(23,788)	(7,859)		134,062	(104,338)		(1,923)	
No Child Left Behind:													
Title I	84.010A	NCLB-3520-15	7/1/14	6/30/15	74,181				55,850	(70,494)		(14,644)	
Title I	84.010A	NCLB-3520-14	7/1/13	6/30/14	75,465	(13,475)	3,365		10,110				
Title IIA	84.367A	NCLB-3520-15	7/1/14	6/30/15	10,860				1,602	(2,869)		(1,267)	
Title IIA	84.367A	NCLB-3520-14	7/1/13	6/30/14	20,182	(3,087)	3,087						
Total U.S. Department of Education - No Child Left Behind						(16,562)	6,452		67,562	(73,363)		(15,911)	
Total U.S. Department of Education - Special Revenue Fund						(40,350)	(1,407)		201,624	(177,701)		(17,834)	
Total U.S. Department of Education						(40,350)	(1,407)		201,624	(177,701)		(17,834)	
U.S. Department of Agriculture -													
Passed-through State Department of Agriculture:													
Enterprise Fund													
Child Nutrition Cluster:													
Food Distribution Program	10.555	N/A	7/1/14	6/30/15	8,363				8,363	(7,982)		\$ 381	
Food Distribution Program	10.555	N/A	7/1/13	6/30/14	6,206	260				(260)			

NETCONG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2014		Cash Received	Budgetary Expenditures	Paid to Grantor	Balance at June 30, 2015	
			From	To		Budgetary (Accounts Receivable)/ Unearned Revenue	Adjust- ments				Budgetary (Accounts Receivable)	Budgetary Unearned Revenue
U.S. Department of Agriculture -												
Passed-through State Department of Education:												
Enterprise Fund												
Child Nutrition Cluster:												
School Breakfast Program	10.553	N/A	7/1/14	6/30/15	9,612			\$ 9,161	\$ (9,612)		\$ (451)	
School Breakfast Program	10.553	N/A	7/1/13	6/30/14	5,959	\$ (276)	\$ 34	242				
National School Lunch Program	10.555	N/A	7/1/14	6/30/15	46,556			45,032	(46,556)		(1,524)	
National School Lunch Program	10.555	N/A	7/1/13	6/30/14	49,401	(2,996)	275	2,721				
Total Enterprise Fund						(3,012)	309	65,519	(64,410)		(1,975)	\$ 381
TOTAL FEDERAL AWARDS						\$ (43,362)	\$ (1,098)	\$ 267,143	\$ (242,111)	\$ -0-	\$ (19,809)	\$ 381

N/A - Not Available/Applicable

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NETCONG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2014				Repayment of Prior Years' Balances	Balance at June 30, 2015		MEMO		
		From	To		Budgetary (Accounts Receivable)	Due to Grantor	Cash Received	Canceled		Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
State Department of Education:														
General Fund:														
Equalization Aid	15-495-034-5120-078	7/1/14	6/30/15	\$ 877,594			\$ 790,357		\$ (877,594)		\$ (87,237)	\$ 877,594		
School Choice	15-495-034-5120-068	7/1/14	6/30/15	87,216			78,546		(87,216)		(8,670)	87,216		
Categorical Special Education Aid	15-495-034-5120-089	7/1/14	6/30/15	169,291			152,463		(169,291)		(16,828)	169,291		
Security Aid	15-495-034-5120-084	7/1/14	6/30/15	12,194			10,982		(12,194)		(1,212)	12,194		
Transportation Aid	15-495-034-5120-014	7/1/14	6/30/15	86			77		(86)		(9)	86		
Under Adequacy Aid	15-495-034-5120-096	7/1/14	6/30/15	10,772			9,701		(10,772)		(1,071)	10,772		
PARCC Readiness Aid	15-495-034-5120-098	7/1/14	6/30/15	2,950			2,657		(2,950)		(293)	2,950		
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14	6/30/15	2,950			2,657		(2,950)		(293)	2,950		
Extraordinary Aid	15-495-034-5120-044	7/1/14	6/30/15	16,003						\$ (16,003)	(16,003)	16,003		
Nonpublic Transportation Aid	15-495-034-5120-044	7/1/14	6/30/15	1,273						(1,273)	(1,273)	1,273		
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14	6/30/15	175,323			165,386		(175,323)		(9,937)	175,323		
Equalization Aid	14-495-034-5120-078	7/1/13	6/30/14	877,594	\$ (86,524)		86,524					877,594		
School Choice	14-495-034-5120-068	7/1/13	6/30/14	87,216	(8,599)		8,599					87,216		
Categorical Special Education Aid	14-495-034-5120-089	7/1/13	6/30/14	169,291	(16,691)		16,691					169,291		
Security Aid	14-495-034-5120-084	7/1/13	6/30/14	12,194	(1,202)		1,202					12,194		
Transportation Aid	14-495-034-5120-014	7/1/13	6/30/14	86	(8)		8					86		
Under Adequacy Aid	14-495-034-5120-096	7/1/13	6/30/14	10,772	(1,062)		1,062					10,772		
Extraordinary Aid	14-495-034-5120-083	7/1/13	6/30/14	680	(680)		680					680		
Reimbursed TPAF Social Security Contributions	14-495-034-5095-002	7/1/13	6/30/14	183,641	(9,337)		9,337					183,641		
Total General Fund State Aid					(124,103)		1,336,929		(1,355,652)		(27,213)	(142,826)	2,697,126	
State Department of Education:														
Special Revenue Fund:														
Nonpublic Textbook Aid	14-100-034-5120-064	7/1/13	6/30/14	8,941		\$ 201				\$ 201		8,740		
Nonpublic Textbook Aid	15-100-034-5120-064	7/1/14	6/30/15	8,699			8,699		(8,699)			8,699		
Nonpublic Nursing Aid	15-100-034-5120-070	7/1/14	6/30/15	13,848			13,848		(13,848)			13,848		
Nonpublic Technology Initiative	15-100-034-5120-373	7/1/14	6/30/15	4,672			4,672				\$ 4,672			
Auxiliary Services:														
Compensatory Education	14-100-034-5120-067	7/1/13	6/30/14	16,264		12,840				12,840		3,424		
Home Instruction	14-100-034-5120-067	7/1/13	6/30/14	1,617			1,617		(1,617)			1,617		
Compensatory Education	15-100-034-5120-067	7/1/14	6/30/15	11,645			11,645		(11,287)		358	11,287		
English as a Second Language	15-100-034-5120-067	7/1/14	6/30/15	731			731		(731)			731		
Handicapped Services:														
Examination and Classification	14-100-034-5120-066	7/1/13	6/30/14	12,260		638				638		11,622		
Corrective Speech	14-100-034-5120-066	7/1/13	6/30/14	11,718		937				937		10,781		
Supplementary Instruction	14-100-034-5120-066	7/1/13	6/30/14	6,245		1,249				1,249		4,996		
Examination and Classification	15-100-034-5120-066	7/1/14	6/30/15	11,169			11,169		(7,382)		3,787	7,382		
Corrective Speech	15-100-034-5120-066	7/1/14	6/30/15	9,416			9,416		(3,924)		5,492	3,924		
Supplementary Instruction	15-100-034-5120-066	7/1/14	6/30/15	15,020			15,020		(8,658)		6,362	8,658		
Total Special Revenue Fund						15,865	76,817		(56,146)	15,865	20,671		95,709	
Total State Department of Education					(124,103)	15,865	1,413,746		(1,411,798)	15,865	(27,213)	20,671	(142,826)	2,792,835

NETCONG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2014				Repayment of Prior Years' Balances	Balance at June 30, 2015		MEMO		
		From	To		Budgetary/ (Accounts Receivable)	Due to Grantor	Cash Received	Canceled		Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
State Department of Agriculture:														
Enterprise Fund:														
State School Lunch Program	15-100-010-3350-023	7/1/14	6/30/15	\$ 1,152				\$ 1,067	\$ (1,152)	\$ (85)		\$ (85)	\$ 1,152	
State School Lunch Program	14-100-010-3350-023	7/1/13	6/30/14	1,259	\$ (73)			67	\$ 6				1,259	
Total Enterprise Fund					(73)			1,134	6	(1,152)		(85)	2,411	
<b>TOTAL STATE AWARDS</b>					<b>\$ (124,176)</b>	<b>\$ 15,865</b>	<b>\$ 1,414,880</b>	<b>\$ 6</b>	<b>\$ (1,412,950)</b>	<b>\$ 15,865</b>	<b>\$ (27,298)</b>	<b>\$ 20,671</b>	<b>\$ (142,911)</b>	<b>\$ 2,795,246</b>

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Netcong Borough School District under programs of the federal and state governments for the fiscal year ended June 30, 2015. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in Federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the General and Special Revenue Funds on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The General Fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to P.L. 2004, c.97. For GAAP purposes these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(1,527) for the General Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General Fund. The schedule of expenditures of state awards does not include the on-behalf TPAF Pension or Post-Retirement Medical Benefits Contributions revenue of \$121,365 and \$192,665 respectively.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,668,155	\$ 1,668,155
Special Revenue Fund	\$ 177,701	56,146	233,847
Food Service Fund	64,410	1,152	65,562
Total Financial Assistance	<u>\$ 242,111</u>	<u>\$ 1,725,453</u>	<u>\$ 1,967,564</u>

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Netcong Borough School District had no loan balances at June 30, 2015.

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2015. Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

NETCONG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08*.
- The auditors' report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circulars 04-04 and 15-08 or Section 510(a) of Federal OMB Circular A-133.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2015 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

	<u>CFDA or State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	\$ 877,594	\$ 877,594
School Choice Aid	15-495-034-5120-068	7/1/14-6/30/15	87,216	87,216
Categorical Special Education	15-495-034-5120-089	7/1/14-6/30/15	169,291	169,291
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	12,194	12,194
Under Adequacy Aid	15-495-034-5120-096	7/1/14-6/30/15	10,772	10,772
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	2,950	2,950
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	2,950	2,950

- The threshold for distinguishing between Type A and Type B state programs was \$300,000.
- The District was determined to be a "low-risk" auditee for state programs under the provision of section 530 of the Federal Circular.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

NETCONG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular and New Jersey's OMB Circulars 04-04 and 15-08.

NETCONG BOROUGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Status of Prior Year Findings:

The District had no prior year audit findings.